



Rep. Mark L. Walker

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1 AMENDMENT TO SENATE BILL 1691

2 AMENDMENT NO. _____. Amend Senate Bill 1691, AS AMENDED,
3 by replacing everything after the enacting clause with the
4 following:

5 "Section 5. The Illinois Income Tax Act is amended by
6 changing Section 201 as follows:

7 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

8 Sec. 201. Tax Imposed.

9 (a) In general. A tax measured by net income is hereby
10 imposed on every individual, corporation, trust and estate for
11 each taxable year ending after July 31, 1969 on the privilege
12 of earning or receiving income in or as a resident of this
13 State. Such tax shall be in addition to all other occupation or
14 privilege taxes imposed by this State or by any municipal
15 corporation or political subdivision thereof.

16 (b) Rates. The tax imposed by subsection (a) of this

1 Section shall be determined as follows, except as adjusted by
2 subsection (d-1):

3 (1) In the case of an individual, trust or estate, for
4 taxable years ending prior to July 1, 1989, an amount equal
5 to 2 1/2% of the taxpayer's net income for the taxable
6 year.

7 (2) In the case of an individual, trust or estate, for
8 taxable years beginning prior to July 1, 1989 and ending
9 after June 30, 1989, an amount equal to the sum of (i) 2
10 1/2% of the taxpayer's net income for the period prior to
11 July 1, 1989, as calculated under Section 202.3, and (ii)
12 3% of the taxpayer's net income for the period after June
13 30, 1989, as calculated under Section 202.3.

14 (3) In the case of an individual, trust or estate, for
15 taxable years beginning after June 30, 1989, an amount
16 equal to 3% of the taxpayer's net income for the taxable
17 year.

18 (4) (Blank).

19 (5) (Blank).

20 (6) In the case of a corporation, for taxable years
21 ending prior to July 1, 1989, an amount equal to 4% of the
22 taxpayer's net income for the taxable year.

23 (7) In the case of a corporation, for taxable years
24 beginning prior to July 1, 1989 and ending after June 30,
25 1989, an amount equal to the sum of (i) 4% of the
26 taxpayer's net income for the period prior to July 1, 1989,

1 as calculated under Section 202.3, and (ii) 4.8% of the
2 taxpayer's net income for the period after June 30, 1989,
3 as calculated under Section 202.3.

4 (8) In the case of a corporation, for taxable years
5 beginning after June 30, 1989, an amount equal to 4.8% of
6 the taxpayer's net income for the taxable year.

7 (c) Personal Property Tax Replacement Income Tax.
8 Beginning on July 1, 1979 and thereafter, in addition to such
9 income tax, there is also hereby imposed the Personal Property
10 Tax Replacement Income Tax measured by net income on every
11 corporation (including Subchapter S corporations), partnership
12 and trust, for each taxable year ending after June 30, 1979.
13 Such taxes are imposed on the privilege of earning or receiving
14 income in or as a resident of this State. The Personal Property
15 Tax Replacement Income Tax shall be in addition to the income
16 tax imposed by subsections (a) and (b) of this Section and in
17 addition to all other occupation or privilege taxes imposed by
18 this State or by any municipal corporation or political
19 subdivision thereof.

20 (d) Additional Personal Property Tax Replacement Income
21 Tax Rates. The personal property tax replacement income tax
22 imposed by this subsection and subsection (c) of this Section
23 in the case of a corporation, other than a Subchapter S
24 corporation and except as adjusted by subsection (d-1), shall
25 be an additional amount equal to 2.85% of such taxpayer's net
26 income for the taxable year, except that beginning on January

1 1, 1981, and thereafter, the rate of 2.85% specified in this
2 subsection shall be reduced to 2.5%, and in the case of a
3 partnership, trust or a Subchapter S corporation shall be an
4 additional amount equal to 1.5% of such taxpayer's net income
5 for the taxable year.

6 (d-1) Rate reduction for certain foreign insurers. In the
7 case of a foreign insurer, as defined by Section 35A-5 of the
8 Illinois Insurance Code, whose state or country of domicile
9 imposes on insurers domiciled in Illinois a retaliatory tax
10 (excluding any insurer whose premiums from reinsurance assumed
11 are 50% or more of its total insurance premiums as determined
12 under paragraph (2) of subsection (b) of Section 304, except
13 that for purposes of this determination premiums from
14 reinsurance do not include premiums from inter-affiliate
15 reinsurance arrangements), beginning with taxable years ending
16 on or after December 31, 1999, the sum of the rates of tax
17 imposed by subsections (b) and (d) shall be reduced (but not
18 increased) to the rate at which the total amount of tax imposed
19 under this Act, net of all credits allowed under this Act,
20 shall equal (i) the total amount of tax that would be imposed
21 on the foreign insurer's net income allocable to Illinois for
22 the taxable year by such foreign insurer's state or country of
23 domicile if that net income were subject to all income taxes
24 and taxes measured by net income imposed by such foreign
25 insurer's state or country of domicile, net of all credits
26 allowed or (ii) a rate of zero if no such tax is imposed on such

1 income by the foreign insurer's state of domicile. For the
2 purposes of this subsection (d-1), an inter-affiliate includes
3 a mutual insurer under common management.

4 (1) For the purposes of subsection (d-1), in no event
5 shall the sum of the rates of tax imposed by subsections
6 (b) and (d) be reduced below the rate at which the sum of:

7 (A) the total amount of tax imposed on such foreign
8 insurer under this Act for a taxable year, net of all
9 credits allowed under this Act, plus

10 (B) the privilege tax imposed by Section 409 of the
11 Illinois Insurance Code, the fire insurance company
12 tax imposed by Section 12 of the Fire Investigation
13 Act, and the fire department taxes imposed under
14 Section 11-10-1 of the Illinois Municipal Code,
15 equals 1.25% for taxable years ending prior to December 31,
16 2003, or 1.75% for taxable years ending on or after
17 December 31, 2003, of the net taxable premiums written for
18 the taxable year, as described by subsection (1) of Section
19 409 of the Illinois Insurance Code. This paragraph will in
20 no event increase the rates imposed under subsections (b)
21 and (d).

22 (2) Any reduction in the rates of tax imposed by this
23 subsection shall be applied first against the rates imposed
24 by subsection (b) and only after the tax imposed by
25 subsection (a) net of all credits allowed under this
26 Section other than the credit allowed under subsection (i)

1 has been reduced to zero, against the rates imposed by
2 subsection (d).

3 This subsection (d-1) is exempt from the provisions of
4 Section 250.

5 (e) Investment credit. A taxpayer shall be allowed a credit
6 against the Personal Property Tax Replacement Income Tax for
7 investment in qualified property.

8 (1) A taxpayer shall be allowed a credit equal to .5%
9 of the basis of qualified property placed in service during
10 the taxable year, provided such property is placed in
11 service on or after July 1, 1984. There shall be allowed an
12 additional credit equal to .5% of the basis of qualified
13 property placed in service during the taxable year,
14 provided such property is placed in service on or after
15 July 1, 1986, and the taxpayer's base employment within
16 Illinois has increased by 1% or more over the preceding
17 year as determined by the taxpayer's employment records
18 filed with the Illinois Department of Employment Security.
19 Taxpayers who are new to Illinois shall be deemed to have
20 met the 1% growth in base employment for the first year in
21 which they file employment records with the Illinois
22 Department of Employment Security. The provisions added to
23 this Section by Public Act 85-1200 (and restored by Public
24 Act 87-895) shall be construed as declaratory of existing
25 law and not as a new enactment. If, in any year, the
26 increase in base employment within Illinois over the

1 preceding year is less than 1%, the additional credit shall
2 be limited to that percentage times a fraction, the
3 numerator of which is .5% and the denominator of which is
4 1%, but shall not exceed .5%. The investment credit shall
5 not be allowed to the extent that it would reduce a
6 taxpayer's liability in any tax year below zero, nor may
7 any credit for qualified property be allowed for any year
8 other than the year in which the property was placed in
9 service in Illinois. For tax years ending on or after
10 December 31, 1987, and on or before December 31, 1988, the
11 credit shall be allowed for the tax year in which the
12 property is placed in service, or, if the amount of the
13 credit exceeds the tax liability for that year, whether it
14 exceeds the original liability or the liability as later
15 amended, such excess may be carried forward and applied to
16 the tax liability of the 5 taxable years following the
17 excess credit years if the taxpayer (i) makes investments
18 which cause the creation of a minimum of 2,000 full-time
19 equivalent jobs in Illinois, (ii) is located in an
20 enterprise zone established pursuant to the Illinois
21 Enterprise Zone Act and (iii) is certified by the
22 Department of Commerce and Community Affairs (now
23 Department of Commerce and Economic Opportunity) as
24 complying with the requirements specified in clause (i) and
25 (ii) by July 1, 1986. The Department of Commerce and
26 Community Affairs (now Department of Commerce and Economic

1 Opportunity) shall notify the Department of Revenue of all
2 such certifications immediately. For tax years ending
3 after December 31, 1988, the credit shall be allowed for
4 the tax year in which the property is placed in service,
5 or, if the amount of the credit exceeds the tax liability
6 for that year, whether it exceeds the original liability or
7 the liability as later amended, such excess may be carried
8 forward and applied to the tax liability of the 5 taxable
9 years following the excess credit years. The credit shall
10 be applied to the earliest year for which there is a
11 liability. If there is credit from more than one tax year
12 that is available to offset a liability, earlier credit
13 shall be applied first.

14 (2) The term "qualified property" means property
15 which:

16 (A) is tangible, whether new or used, including
17 buildings and structural components of buildings and
18 signs that are real property, but not including land or
19 improvements to real property that are not a structural
20 component of a building such as landscaping, sewer
21 lines, local access roads, fencing, parking lots, and
22 other appurtenances;

23 (B) is depreciable pursuant to Section 167 of the
24 Internal Revenue Code, except that "3-year property"
25 as defined in Section 168(c)(2)(A) of that Code is not
26 eligible for the credit provided by this subsection

1 (e);

2 (C) is acquired by purchase as defined in Section
3 179(d) of the Internal Revenue Code;

4 (D) is used in Illinois by a taxpayer who is
5 primarily engaged in manufacturing, or in mining coal
6 or fluorite, or in retailing, or was placed in service
7 on or after July 1, 2006 in a River Edge Redevelopment
8 Zone established pursuant to the River Edge
9 Redevelopment Zone Act; and

10 (E) has not previously been used in Illinois in
11 such a manner and by such a person as would qualify for
12 the credit provided by this subsection (e) or
13 subsection (f).

14 (3) For purposes of this subsection (e),
15 "manufacturing" means the material staging and production
16 of tangible personal property by procedures commonly
17 regarded as manufacturing, processing, fabrication, or
18 assembling which changes some existing material into new
19 shapes, new qualities, or new combinations. For purposes of
20 this subsection (e) the term "mining" shall have the same
21 meaning as the term "mining" in Section 613(c) of the
22 Internal Revenue Code. For purposes of this subsection (e),
23 the term "retailing" means the sale of tangible personal
24 property or services rendered in conjunction with the sale
25 of tangible consumer goods or commodities.

26 (4) The basis of qualified property shall be the basis

1 used to compute the depreciation deduction for federal
2 income tax purposes.

3 (5) If the basis of the property for federal income tax
4 depreciation purposes is increased after it has been placed
5 in service in Illinois by the taxpayer, the amount of such
6 increase shall be deemed property placed in service on the
7 date of such increase in basis.

8 (6) The term "placed in service" shall have the same
9 meaning as under Section 46 of the Internal Revenue Code.

10 (7) If during any taxable year, any property ceases to
11 be qualified property in the hands of the taxpayer within
12 48 months after being placed in service, or the situs of
13 any qualified property is moved outside Illinois within 48
14 months after being placed in service, the Personal Property
15 Tax Replacement Income Tax for such taxable year shall be
16 increased. Such increase shall be determined by (i)
17 recomputing the investment credit which would have been
18 allowed for the year in which credit for such property was
19 originally allowed by eliminating such property from such
20 computation and, (ii) subtracting such recomputed credit
21 from the amount of credit previously allowed. For the
22 purposes of this paragraph (7), a reduction of the basis of
23 qualified property resulting from a redetermination of the
24 purchase price shall be deemed a disposition of qualified
25 property to the extent of such reduction.

26 (8) Unless the investment credit is extended by law,

1 the basis of qualified property shall not include costs
2 incurred after December 31, 2013 ~~2008~~, except for costs
3 incurred pursuant to a binding contract entered into on or
4 before December 31, 2013 ~~2008~~.

5 (9) Each taxable year ending before December 31, 2000,
6 a partnership may elect to pass through to its partners the
7 credits to which the partnership is entitled under this
8 subsection (e) for the taxable year. A partner may use the
9 credit allocated to him or her under this paragraph only
10 against the tax imposed in subsections (c) and (d) of this
11 Section. If the partnership makes that election, those
12 credits shall be allocated among the partners in the
13 partnership in accordance with the rules set forth in
14 Section 704(b) of the Internal Revenue Code, and the rules
15 promulgated under that Section, and the allocated amount of
16 the credits shall be allowed to the partners for that
17 taxable year. The partnership shall make this election on
18 its Personal Property Tax Replacement Income Tax return for
19 that taxable year. The election to pass through the credits
20 shall be irrevocable.

21 For taxable years ending on or after December 31, 2000,
22 a partner that qualifies its partnership for a subtraction
23 under subparagraph (I) of paragraph (2) of subsection (d)
24 of Section 203 or a shareholder that qualifies a Subchapter
25 S corporation for a subtraction under subparagraph (S) of
26 paragraph (2) of subsection (b) of Section 203 shall be

1 allowed a credit under this subsection (e) equal to its
2 share of the credit earned under this subsection (e) during
3 the taxable year by the partnership or Subchapter S
4 corporation, determined in accordance with the
5 determination of income and distributive share of income
6 under Sections 702 and 704 and Subchapter S of the Internal
7 Revenue Code. This paragraph is exempt from the provisions
8 of Section 250.

9 (f) Investment credit; Enterprise Zone; River Edge
10 Redevelopment Zone.

11 (1) A taxpayer shall be allowed a credit against the
12 tax imposed by subsections (a) and (b) of this Section for
13 investment in qualified property which is placed in service
14 in an Enterprise Zone created pursuant to the Illinois
15 Enterprise Zone Act or, for property placed in service on
16 or after July 1, 2006, a River Edge Redevelopment Zone
17 established pursuant to the River Edge Redevelopment Zone
18 Act. For partners, shareholders of Subchapter S
19 corporations, and owners of limited liability companies,
20 if the liability company is treated as a partnership for
21 purposes of federal and State income taxation, there shall
22 be allowed a credit under this subsection (f) to be
23 determined in accordance with the determination of income
24 and distributive share of income under Sections 702 and 704
25 and Subchapter S of the Internal Revenue Code. The credit
26 shall be .5% of the basis for such property. The credit

1 shall be available only in the taxable year in which the
2 property is placed in service in the Enterprise Zone or
3 River Edge Redevelopment Zone and shall not be allowed to
4 the extent that it would reduce a taxpayer's liability for
5 the tax imposed by subsections (a) and (b) of this Section
6 to below zero. For tax years ending on or after December
7 31, 1985, the credit shall be allowed for the tax year in
8 which the property is placed in service, or, if the amount
9 of the credit exceeds the tax liability for that year,
10 whether it exceeds the original liability or the liability
11 as later amended, such excess may be carried forward and
12 applied to the tax liability of the 5 taxable years
13 following the excess credit year. The credit shall be
14 applied to the earliest year for which there is a
15 liability. If there is credit from more than one tax year
16 that is available to offset a liability, the credit
17 accruing first in time shall be applied first.

18 (2) The term qualified property means property which:

19 (A) is tangible, whether new or used, including
20 buildings and structural components of buildings;

21 (B) is depreciable pursuant to Section 167 of the
22 Internal Revenue Code, except that "3-year property"
23 as defined in Section 168(c)(2)(A) of that Code is not
24 eligible for the credit provided by this subsection
25 (f);

26 (C) is acquired by purchase as defined in Section

1 179(d) of the Internal Revenue Code;

2 (D) is used in the Enterprise Zone or River Edge
3 Redevelopment Zone by the taxpayer; and

4 (E) has not been previously used in Illinois in
5 such a manner and by such a person as would qualify for
6 the credit provided by this subsection (f) or
7 subsection (e).

8 (3) The basis of qualified property shall be the basis
9 used to compute the depreciation deduction for federal
10 income tax purposes.

11 (4) If the basis of the property for federal income tax
12 depreciation purposes is increased after it has been placed
13 in service in the Enterprise Zone or River Edge
14 Redevelopment Zone by the taxpayer, the amount of such
15 increase shall be deemed property placed in service on the
16 date of such increase in basis.

17 (5) The term "placed in service" shall have the same
18 meaning as under Section 46 of the Internal Revenue Code.

19 (6) If during any taxable year, any property ceases to
20 be qualified property in the hands of the taxpayer within
21 48 months after being placed in service, or the situs of
22 any qualified property is moved outside the Enterprise Zone
23 or River Edge Redevelopment Zone within 48 months after
24 being placed in service, the tax imposed under subsections
25 (a) and (b) of this Section for such taxable year shall be
26 increased. Such increase shall be determined by (i)

1 recomputing the investment credit which would have been
2 allowed for the year in which credit for such property was
3 originally allowed by eliminating such property from such
4 computation, and (ii) subtracting such recomputed credit
5 from the amount of credit previously allowed. For the
6 purposes of this paragraph (6), a reduction of the basis of
7 qualified property resulting from a redetermination of the
8 purchase price shall be deemed a disposition of qualified
9 property to the extent of such reduction.

10 (7) There shall be allowed an additional credit equal
11 to 0.5% of the basis of qualified property placed in
12 service during the taxable year in a River Edge
13 Redevelopment Zone, provided such property is placed in
14 service on or after July 1, 2006, and the taxpayer's base
15 employment within Illinois has increased by 1% or more over
16 the preceding year as determined by the taxpayer's
17 employment records filed with the Illinois Department of
18 Employment Security. Taxpayers who are new to Illinois
19 shall be deemed to have met the 1% growth in base
20 employment for the first year in which they file employment
21 records with the Illinois Department of Employment
22 Security. If, in any year, the increase in base employment
23 within Illinois over the preceding year is less than 1%,
24 the additional credit shall be limited to that percentage
25 times a fraction, the numerator of which is 0.5% and the
26 denominator of which is 1%, but shall not exceed 0.5%.

1 (g) Jobs Tax Credit; Enterprise Zone, River Edge
2 Redevelopment Zone, and Foreign Trade Zone or Sub-Zone.

3 (1) A taxpayer conducting a trade or business in an
4 enterprise zone or a High Impact Business designated by the
5 Department of Commerce and Economic Opportunity or for
6 taxable years ending on or after December 31, 2006, in a
7 River Edge Redevelopment Zone conducting a trade or
8 business in a federally designated Foreign Trade Zone or
9 Sub-Zone shall be allowed a credit against the tax imposed
10 by subsections (a) and (b) of this Section in the amount of
11 \$500 per eligible employee hired to work in the zone during
12 the taxable year.

13 (2) To qualify for the credit:

14 (A) the taxpayer must hire 5 or more eligible
15 employees to work in an enterprise zone, River Edge
16 Redevelopment Zone, or federally designated Foreign
17 Trade Zone or Sub-Zone during the taxable year;

18 (B) the taxpayer's total employment within the
19 enterprise zone, River Edge Redevelopment Zone, or
20 federally designated Foreign Trade Zone or Sub-Zone
21 must increase by 5 or more full-time employees beyond
22 the total employed in that zone at the end of the
23 previous tax year for which a jobs tax credit under
24 this Section was taken, or beyond the total employed by
25 the taxpayer as of December 31, 1985, whichever is
26 later; and

1 (C) the eligible employees must be employed 180
2 consecutive days in order to be deemed hired for
3 purposes of this subsection.

4 (3) An "eligible employee" means an employee who is:

5 (A) Certified by the Department of Commerce and
6 Economic Opportunity as "eligible for services"
7 pursuant to regulations promulgated in accordance with
8 Title II of the Job Training Partnership Act, Training
9 Services for the Disadvantaged or Title III of the Job
10 Training Partnership Act, Employment and Training
11 Assistance for Dislocated Workers Program.

12 (B) Hired after the enterprise zone, River Edge
13 Redevelopment Zone, or federally designated Foreign
14 Trade Zone or Sub-Zone was designated or the trade or
15 business was located in that zone, whichever is later.

16 (C) Employed in the enterprise zone, River Edge
17 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.
18 An employee is employed in an enterprise zone or
19 federally designated Foreign Trade Zone or Sub-Zone if
20 his services are rendered there or it is the base of
21 operations for the services performed.

22 (D) A full-time employee working 30 or more hours
23 per week.

24 (4) For tax years ending on or after December 31, 1985
25 and prior to December 31, 1988, the credit shall be allowed
26 for the tax year in which the eligible employees are hired.

1 For tax years ending on or after December 31, 1988, the
2 credit shall be allowed for the tax year immediately
3 following the tax year in which the eligible employees are
4 hired. If the amount of the credit exceeds the tax
5 liability for that year, whether it exceeds the original
6 liability or the liability as later amended, such excess
7 may be carried forward and applied to the tax liability of
8 the 5 taxable years following the excess credit year. The
9 credit shall be applied to the earliest year for which
10 there is a liability. If there is credit from more than one
11 tax year that is available to offset a liability, earlier
12 credit shall be applied first.

13 (5) The Department of Revenue shall promulgate such
14 rules and regulations as may be deemed necessary to carry
15 out the purposes of this subsection (g).

16 (6) The credit shall be available for eligible
17 employees hired on or after January 1, 1986.

18 (h) Investment credit; High Impact Business.

19 (1) Subject to subsections (b) and (b-5) of Section 5.5
20 of the Illinois Enterprise Zone Act, a taxpayer shall be
21 allowed a credit against the tax imposed by subsections (a)
22 and (b) of this Section for investment in qualified
23 property which is placed in service by a Department of
24 Commerce and Economic Opportunity designated High Impact
25 Business. The credit shall be .5% of the basis for such
26 property. The credit shall not be available (i) until the

1 minimum investments in qualified property set forth in
2 subdivision (a)(3)(A) of Section 5.5 of the Illinois
3 Enterprise Zone Act have been satisfied or (ii) until the
4 time authorized in subsection (b-5) of the Illinois
5 Enterprise Zone Act for entities designated as High Impact
6 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
7 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
8 Act, and shall not be allowed to the extent that it would
9 reduce a taxpayer's liability for the tax imposed by
10 subsections (a) and (b) of this Section to below zero. The
11 credit applicable to such investments shall be taken in the
12 taxable year in which such investments have been completed.
13 The credit for additional investments beyond the minimum
14 investment by a designated high impact business authorized
15 under subdivision (a)(3)(A) of Section 5.5 of the Illinois
16 Enterprise Zone Act shall be available only in the taxable
17 year in which the property is placed in service and shall
18 not be allowed to the extent that it would reduce a
19 taxpayer's liability for the tax imposed by subsections (a)
20 and (b) of this Section to below zero. For tax years ending
21 on or after December 31, 1987, the credit shall be allowed
22 for the tax year in which the property is placed in
23 service, or, if the amount of the credit exceeds the tax
24 liability for that year, whether it exceeds the original
25 liability or the liability as later amended, such excess
26 may be carried forward and applied to the tax liability of

1 the 5 taxable years following the excess credit year. The
2 credit shall be applied to the earliest year for which
3 there is a liability. If there is credit from more than one
4 tax year that is available to offset a liability, the
5 credit accruing first in time shall be applied first.

6 Changes made in this subdivision (h) (1) by Public Act
7 88-670 restore changes made by Public Act 85-1182 and
8 reflect existing law.

9 (2) The term qualified property means property which:

10 (A) is tangible, whether new or used, including
11 buildings and structural components of buildings;

12 (B) is depreciable pursuant to Section 167 of the
13 Internal Revenue Code, except that "3-year property"
14 as defined in Section 168(c) (2) (A) of that Code is not
15 eligible for the credit provided by this subsection
16 (h);

17 (C) is acquired by purchase as defined in Section
18 179(d) of the Internal Revenue Code; and

19 (D) is not eligible for the Enterprise Zone
20 Investment Credit provided by subsection (f) of this
21 Section.

22 (3) The basis of qualified property shall be the basis
23 used to compute the depreciation deduction for federal
24 income tax purposes.

25 (4) If the basis of the property for federal income tax
26 depreciation purposes is increased after it has been placed

1 in service in a federally designated Foreign Trade Zone or
2 Sub-Zone located in Illinois by the taxpayer, the amount of
3 such increase shall be deemed property placed in service on
4 the date of such increase in basis.

5 (5) The term "placed in service" shall have the same
6 meaning as under Section 46 of the Internal Revenue Code.

7 (6) If during any taxable year ending on or before
8 December 31, 1996, any property ceases to be qualified
9 property in the hands of the taxpayer within 48 months
10 after being placed in service, or the situs of any
11 qualified property is moved outside Illinois within 48
12 months after being placed in service, the tax imposed under
13 subsections (a) and (b) of this Section for such taxable
14 year shall be increased. Such increase shall be determined
15 by (i) recomputing the investment credit which would have
16 been allowed for the year in which credit for such property
17 was originally allowed by eliminating such property from
18 such computation, and (ii) subtracting such recomputed
19 credit from the amount of credit previously allowed. For
20 the purposes of this paragraph (6), a reduction of the
21 basis of qualified property resulting from a
22 redetermination of the purchase price shall be deemed a
23 disposition of qualified property to the extent of such
24 reduction.

25 (7) Beginning with tax years ending after December 31,
26 1996, if a taxpayer qualifies for the credit under this

1 subsection (h) and thereby is granted a tax abatement and
2 the taxpayer relocates its entire facility in violation of
3 the explicit terms and length of the contract under Section
4 18-183 of the Property Tax Code, the tax imposed under
5 subsections (a) and (b) of this Section shall be increased
6 for the taxable year in which the taxpayer relocated its
7 facility by an amount equal to the amount of credit
8 received by the taxpayer under this subsection (h).

9 (i) Credit for Personal Property Tax Replacement Income
10 Tax. For tax years ending prior to December 31, 2003, a credit
11 shall be allowed against the tax imposed by subsections (a) and
12 (b) of this Section for the tax imposed by subsections (c) and
13 (d) of this Section. This credit shall be computed by
14 multiplying the tax imposed by subsections (c) and (d) of this
15 Section by a fraction, the numerator of which is base income
16 allocable to Illinois and the denominator of which is Illinois
17 base income, and further multiplying the product by the tax
18 rate imposed by subsections (a) and (b) of this Section.

19 Any credit earned on or after December 31, 1986 under this
20 subsection which is unused in the year the credit is computed
21 because it exceeds the tax liability imposed by subsections (a)
22 and (b) for that year (whether it exceeds the original
23 liability or the liability as later amended) may be carried
24 forward and applied to the tax liability imposed by subsections
25 (a) and (b) of the 5 taxable years following the excess credit
26 year, provided that no credit may be carried forward to any

1 year ending on or after December 31, 2003. This credit shall be
2 applied first to the earliest year for which there is a
3 liability. If there is a credit under this subsection from more
4 than one tax year that is available to offset a liability the
5 earliest credit arising under this subsection shall be applied
6 first.

7 If, during any taxable year ending on or after December 31,
8 1986, the tax imposed by subsections (c) and (d) of this
9 Section for which a taxpayer has claimed a credit under this
10 subsection (i) is reduced, the amount of credit for such tax
11 shall also be reduced. Such reduction shall be determined by
12 recomputing the credit to take into account the reduced tax
13 imposed by subsections (c) and (d). If any portion of the
14 reduced amount of credit has been carried to a different
15 taxable year, an amended return shall be filed for such taxable
16 year to reduce the amount of credit claimed.

17 (j) Training expense credit. Beginning with tax years
18 ending on or after December 31, 1986 and prior to December 31,
19 2003, a taxpayer shall be allowed a credit against the tax
20 imposed by subsections (a) and (b) under this Section for all
21 amounts paid or accrued, on behalf of all persons employed by
22 the taxpayer in Illinois or Illinois residents employed outside
23 of Illinois by a taxpayer, for educational or vocational
24 training in semi-technical or technical fields or semi-skilled
25 or skilled fields, which were deducted from gross income in the
26 computation of taxable income. The credit against the tax

1 imposed by subsections (a) and (b) shall be 1.6% of such
2 training expenses. For partners, shareholders of subchapter S
3 corporations, and owners of limited liability companies, if the
4 liability company is treated as a partnership for purposes of
5 federal and State income taxation, there shall be allowed a
6 credit under this subsection (j) to be determined in accordance
7 with the determination of income and distributive share of
8 income under Sections 702 and 704 and subchapter S of the
9 Internal Revenue Code.

10 Any credit allowed under this subsection which is unused in
11 the year the credit is earned may be carried forward to each of
12 the 5 taxable years following the year for which the credit is
13 first computed until it is used. This credit shall be applied
14 first to the earliest year for which there is a liability. If
15 there is a credit under this subsection from more than one tax
16 year that is available to offset a liability the earliest
17 credit arising under this subsection shall be applied first. No
18 carryforward credit may be claimed in any tax year ending on or
19 after December 31, 2003.

20 (k) Research and development credit.

21 For tax years ending after July 1, 1990 and prior to
22 December 31, 2003, and beginning again for tax years ending on
23 or after December 31, 2004, a taxpayer shall be allowed a
24 credit against the tax imposed by subsections (a) and (b) of
25 this Section for increasing research activities in this State.
26 The credit allowed against the tax imposed by subsections (a)

1 and (b) shall be equal to 6 1/2% of the qualifying expenditures
2 for increasing research activities in this State. For partners,
3 shareholders of subchapter S corporations, and owners of
4 limited liability companies, if the liability company is
5 treated as a partnership for purposes of federal and State
6 income taxation, there shall be allowed a credit under this
7 subsection to be determined in accordance with the
8 determination of income and distributive share of income under
9 Sections 702 and 704 and subchapter S of the Internal Revenue
10 Code.

11 For purposes of this subsection, "qualifying expenditures"
12 means the qualifying expenditures as defined for the federal
13 credit for increasing research activities which would be
14 allowable under Section 41 of the Internal Revenue Code and
15 which are conducted in this State, "qualifying expenditures for
16 increasing research activities in this State" means the excess
17 of qualifying expenditures for the taxable year in which
18 incurred over qualifying expenditures for the base period,
19 "qualifying expenditures for the base period" means the average
20 of the qualifying expenditures for each year in the base
21 period, and "base period" means the 3 taxable years immediately
22 preceding the taxable year for which the determination is being
23 made.

24 Any credit in excess of the tax liability for the taxable
25 year may be carried forward. A taxpayer may elect to have the
26 unused credit shown on its final completed return carried over

1 as a credit against the tax liability for the following 5
2 taxable years or until it has been fully used, whichever occurs
3 first; provided that no credit earned in a tax year ending
4 prior to December 31, 2003 may be carried forward to any year
5 ending on or after December 31, 2003.

6 If an unused credit is carried forward to a given year from
7 2 or more earlier years, that credit arising in the earliest
8 year will be applied first against the tax liability for the
9 given year. If a tax liability for the given year still
10 remains, the credit from the next earliest year will then be
11 applied, and so on, until all credits have been used or no tax
12 liability for the given year remains. Any remaining unused
13 credit or credits then will be carried forward to the next
14 following year in which a tax liability is incurred, except
15 that no credit can be carried forward to a year which is more
16 than 5 years after the year in which the expense for which the
17 credit is given was incurred.

18 No inference shall be drawn from this amendatory Act of the
19 91st General Assembly in construing this Section for taxable
20 years beginning before January 1, 1999.

21 (1) Environmental Remediation Tax Credit.

22 (i) For tax years ending after December 31, 1997 and on
23 or before December 31, 2001, a taxpayer shall be allowed a
24 credit against the tax imposed by subsections (a) and (b)
25 of this Section for certain amounts paid for unreimbursed
26 eligible remediation costs, as specified in this

1 subsection. For purposes of this Section, "unreimbursed
2 eligible remediation costs" means costs approved by the
3 Illinois Environmental Protection Agency ("Agency") under
4 Section 58.14 of the Environmental Protection Act that were
5 paid in performing environmental remediation at a site for
6 which a No Further Remediation Letter was issued by the
7 Agency and recorded under Section 58.10 of the
8 Environmental Protection Act. The credit must be claimed
9 for the taxable year in which Agency approval of the
10 eligible remediation costs is granted. The credit is not
11 available to any taxpayer if the taxpayer or any related
12 party caused or contributed to, in any material respect, a
13 release of regulated substances on, in, or under the site
14 that was identified and addressed by the remedial action
15 pursuant to the Site Remediation Program of the
16 Environmental Protection Act. After the Pollution Control
17 Board rules are adopted pursuant to the Illinois
18 Administrative Procedure Act for the administration and
19 enforcement of Section 58.9 of the Environmental
20 Protection Act, determinations as to credit availability
21 for purposes of this Section shall be made consistent with
22 those rules. For purposes of this Section, "taxpayer"
23 includes a person whose tax attributes the taxpayer has
24 succeeded to under Section 381 of the Internal Revenue Code
25 and "related party" includes the persons disallowed a
26 deduction for losses by paragraphs (b), (c), and (f)(1) of

1 Section 267 of the Internal Revenue Code by virtue of being
2 a related taxpayer, as well as any of its partners. The
3 credit allowed against the tax imposed by subsections (a)
4 and (b) shall be equal to 25% of the unreimbursed eligible
5 remediation costs in excess of \$100,000 per site, except
6 that the \$100,000 threshold shall not apply to any site
7 contained in an enterprise zone as determined by the
8 Department of Commerce and Community Affairs (now
9 Department of Commerce and Economic Opportunity). The
10 total credit allowed shall not exceed \$40,000 per year with
11 a maximum total of \$150,000 per site. For partners and
12 shareholders of subchapter S corporations, there shall be
13 allowed a credit under this subsection to be determined in
14 accordance with the determination of income and
15 distributive share of income under Sections 702 and 704 and
16 subchapter S of the Internal Revenue Code.

17 (ii) A credit allowed under this subsection that is
18 unused in the year the credit is earned may be carried
19 forward to each of the 5 taxable years following the year
20 for which the credit is first earned until it is used. The
21 term "unused credit" does not include any amounts of
22 unreimbursed eligible remediation costs in excess of the
23 maximum credit per site authorized under paragraph (i).
24 This credit shall be applied first to the earliest year for
25 which there is a liability. If there is a credit under this
26 subsection from more than one tax year that is available to

1 offset a liability, the earliest credit arising under this
2 subsection shall be applied first. A credit allowed under
3 this subsection may be sold to a buyer as part of a sale of
4 all or part of the remediation site for which the credit
5 was granted. The purchaser of a remediation site and the
6 tax credit shall succeed to the unused credit and remaining
7 carry-forward period of the seller. To perfect the
8 transfer, the assignor shall record the transfer in the
9 chain of title for the site and provide written notice to
10 the Director of the Illinois Department of Revenue of the
11 assignor's intent to sell the remediation site and the
12 amount of the tax credit to be transferred as a portion of
13 the sale. In no event may a credit be transferred to any
14 taxpayer if the taxpayer or a related party would not be
15 eligible under the provisions of subsection (i).

16 (iii) For purposes of this Section, the term "site"
17 shall have the same meaning as under Section 58.2 of the
18 Environmental Protection Act.

19 (m) Education expense credit. Beginning with tax years
20 ending after December 31, 1999, a taxpayer who is the custodian
21 of one or more qualifying pupils shall be allowed a credit
22 against the tax imposed by subsections (a) and (b) of this
23 Section for qualified education expenses incurred on behalf of
24 the qualifying pupils. The credit shall be equal to 25% of
25 qualified education expenses, but in no event may the total
26 credit under this subsection claimed by a family that is the

1 custodian of qualifying pupils exceed \$500. In no event shall a
2 credit under this subsection reduce the taxpayer's liability
3 under this Act to less than zero. This subsection is exempt
4 from the provisions of Section 250 of this Act.

5 For purposes of this subsection:

6 "Qualifying pupils" means individuals who (i) are
7 residents of the State of Illinois, (ii) are under the age of
8 21 at the close of the school year for which a credit is
9 sought, and (iii) during the school year for which a credit is
10 sought were full-time pupils enrolled in a kindergarten through
11 twelfth grade education program at any school, as defined in
12 this subsection.

13 "Qualified education expense" means the amount incurred on
14 behalf of a qualifying pupil in excess of \$250 for tuition,
15 book fees, and lab fees at the school in which the pupil is
16 enrolled during the regular school year.

17 "School" means any public or nonpublic elementary or
18 secondary school in Illinois that is in compliance with Title
19 VI of the Civil Rights Act of 1964 and attendance at which
20 satisfies the requirements of Section 26-1 of the School Code,
21 except that nothing shall be construed to require a child to
22 attend any particular public or nonpublic school to qualify for
23 the credit under this Section.

24 "Custodian" means, with respect to qualifying pupils, an
25 Illinois resident who is a parent, the parents, a legal
26 guardian, or the legal guardians of the qualifying pupils.

1 (n) River Edge Redevelopment Zone site remediation tax
2 credit.

3 (i) For tax years ending on or after December 31, 2006,
4 a taxpayer shall be allowed a credit against the tax
5 imposed by subsections (a) and (b) of this Section for
6 certain amounts paid for unreimbursed eligible remediation
7 costs, as specified in this subsection. For purposes of
8 this Section, "unreimbursed eligible remediation costs"
9 means costs approved by the Illinois Environmental
10 Protection Agency ("Agency") under Section 58.14a of the
11 Environmental Protection Act that were paid in performing
12 environmental remediation at a site within a River Edge
13 Redevelopment Zone for which a No Further Remediation
14 Letter was issued by the Agency and recorded under Section
15 58.10 of the Environmental Protection Act. The credit must
16 be claimed for the taxable year in which Agency approval of
17 the eligible remediation costs is granted. The credit is
18 not available to any taxpayer if the taxpayer or any
19 related party caused or contributed to, in any material
20 respect, a release of regulated substances on, in, or under
21 the site that was identified and addressed by the remedial
22 action pursuant to the Site Remediation Program of the
23 Environmental Protection Act. Determinations as to credit
24 availability for purposes of this Section shall be made
25 consistent with rules adopted by the Pollution Control
26 Board pursuant to the Illinois Administrative Procedure

1 Act for the administration and enforcement of Section 58.9
2 of the Environmental Protection Act. For purposes of this
3 Section, "taxpayer" includes a person whose tax attributes
4 the taxpayer has succeeded to under Section 381 of the
5 Internal Revenue Code and "related party" includes the
6 persons disallowed a deduction for losses by paragraphs
7 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
8 Code by virtue of being a related taxpayer, as well as any
9 of its partners. The credit allowed against the tax imposed
10 by subsections (a) and (b) shall be equal to 25% of the
11 unreimbursed eligible remediation costs in excess of
12 \$100,000 per site.

13 (ii) A credit allowed under this subsection that is
14 unused in the year the credit is earned may be carried
15 forward to each of the 5 taxable years following the year
16 for which the credit is first earned until it is used. This
17 credit shall be applied first to the earliest year for
18 which there is a liability. If there is a credit under this
19 subsection from more than one tax year that is available to
20 offset a liability, the earliest credit arising under this
21 subsection shall be applied first. A credit allowed under
22 this subsection may be sold to a buyer as part of a sale of
23 all or part of the remediation site for which the credit
24 was granted. The purchaser of a remediation site and the
25 tax credit shall succeed to the unused credit and remaining
26 carry-forward period of the seller. To perfect the

1 transfer, the assignor shall record the transfer in the
2 chain of title for the site and provide written notice to
3 the Director of the Illinois Department of Revenue of the
4 assignor's intent to sell the remediation site and the
5 amount of the tax credit to be transferred as a portion of
6 the sale. In no event may a credit be transferred to any
7 taxpayer if the taxpayer or a related party would not be
8 eligible under the provisions of subsection (i).

9 (iii) For purposes of this Section, the term "site"
10 shall have the same meaning as under Section 58.2 of the
11 Environmental Protection Act.

12 (iv) This subsection is exempt from the provisions of
13 Section 250.

14 (Source: P.A. 94-1021, eff. 7-12-06; 95-454, eff. 8-27-07.)

15 Section 10. The Use Tax Act is amended by changing Sections
16 3-5, 3-30, and 3-85 as follows:

17 (35 ILCS 105/3-5) (from Ch. 120, par. 439.3-5)

18 Sec. 3-5. Exemptions. Use of the following tangible
19 personal property is exempt from the tax imposed by this Act:

20 (1) Personal property purchased from a corporation,
21 society, association, foundation, institution, or
22 organization, other than a limited liability company, that is
23 organized and operated as a not-for-profit service enterprise
24 for the benefit of persons 65 years of age or older if the

1 personal property was not purchased by the enterprise for the
2 purpose of resale by the enterprise.

3 (2) Personal property purchased by a not-for-profit
4 Illinois county fair association for use in conducting,
5 operating, or promoting the county fair.

6 (3) Personal property purchased by a not-for-profit arts or
7 cultural organization that establishes, by proof required by
8 the Department by rule, that it has received an exemption under
9 Section 501(c)(3) of the Internal Revenue Code and that is
10 organized and operated primarily for the presentation or
11 support of arts or cultural programming, activities, or
12 services. These organizations include, but are not limited to,
13 music and dramatic arts organizations such as symphony
14 orchestras and theatrical groups, arts and cultural service
15 organizations, local arts councils, visual arts organizations,
16 and media arts organizations. On and after the effective date
17 of this amendatory Act of the 92nd General Assembly, however,
18 an entity otherwise eligible for this exemption shall not make
19 tax-free purchases unless it has an active identification
20 number issued by the Department.

21 (4) Personal property purchased by a governmental body, by
22 a corporation, society, association, foundation, or
23 institution organized and operated exclusively for charitable,
24 religious, or educational purposes, or by a not-for-profit
25 corporation, society, association, foundation, institution, or
26 organization that has no compensated officers or employees and

1 that is organized and operated primarily for the recreation of
2 persons 55 years of age or older. A limited liability company
3 may qualify for the exemption under this paragraph only if the
4 limited liability company is organized and operated
5 exclusively for educational purposes. On and after July 1,
6 1987, however, no entity otherwise eligible for this exemption
7 shall make tax-free purchases unless it has an active exemption
8 identification number issued by the Department.

9 (5) Until July 1, 2003, a passenger car that is a
10 replacement vehicle to the extent that the purchase price of
11 the car is subject to the Replacement Vehicle Tax.

12 (6) Until July 1, 2003 and beginning again on September 1,
13 2004 through August 30, 2014, graphic arts machinery and
14 equipment, including repair and replacement parts, both new and
15 used, and including that manufactured on special order,
16 certified by the purchaser to be used primarily for graphic
17 arts production, and including machinery and equipment
18 purchased for lease. Equipment includes chemicals or chemicals
19 acting as catalysts but only if the chemicals or chemicals
20 acting as catalysts effect a direct and immediate change upon a
21 graphic arts product.

22 (7) Farm chemicals.

23 (8) Legal tender, currency, medallions, or gold or silver
24 coinage issued by the State of Illinois, the government of the
25 United States of America, or the government of any foreign
26 country, and bullion.

1 (9) Personal property purchased from a teacher-sponsored
2 student organization affiliated with an elementary or
3 secondary school located in Illinois.

4 (10) A motor vehicle of the first division, a motor vehicle
5 of the second division that is a self-contained motor vehicle
6 designed or permanently converted to provide living quarters
7 for recreational, camping, or travel use, with direct walk
8 through to the living quarters from the driver's seat, or a
9 motor vehicle of the second division that is of the van
10 configuration designed for the transportation of not less than
11 7 nor more than 16 passengers, as defined in Section 1-146 of
12 the Illinois Vehicle Code, that is used for automobile renting,
13 as defined in the Automobile Renting Occupation and Use Tax
14 Act.

15 (11) Farm machinery and equipment, both new and used,
16 including that manufactured on special order, certified by the
17 purchaser to be used primarily for production agriculture or
18 State or federal agricultural programs, including individual
19 replacement parts for the machinery and equipment, including
20 machinery and equipment purchased for lease, and including
21 implements of husbandry defined in Section 1-130 of the
22 Illinois Vehicle Code, farm machinery and agricultural
23 chemical and fertilizer spreaders, and nurse wagons required to
24 be registered under Section 3-809 of the Illinois Vehicle Code,
25 but excluding other motor vehicles required to be registered
26 under the Illinois Vehicle Code. Horticultural polyhouses or

1 hoop houses used for propagating, growing, or overwintering
2 plants shall be considered farm machinery and equipment under
3 this item (11). Agricultural chemical tender tanks and dry
4 boxes shall include units sold separately from a motor vehicle
5 required to be licensed and units sold mounted on a motor
6 vehicle required to be licensed if the selling price of the
7 tender is separately stated.

8 Farm machinery and equipment shall include precision
9 farming equipment that is installed or purchased to be
10 installed on farm machinery and equipment including, but not
11 limited to, tractors, harvesters, sprayers, planters, seeders,
12 or spreaders. Precision farming equipment includes, but is not
13 limited to, soil testing sensors, computers, monitors,
14 software, global positioning and mapping systems, and other
15 such equipment.

16 Farm machinery and equipment also includes computers,
17 sensors, software, and related equipment used primarily in the
18 computer-assisted operation of production agriculture
19 facilities, equipment, and activities such as, but not limited
20 to, the collection, monitoring, and correlation of animal and
21 crop data for the purpose of formulating animal diets and
22 agricultural chemicals. This item (11) is exempt from the
23 provisions of Section 3-90.

24 (12) Fuel and petroleum products sold to or used by an air
25 common carrier, certified by the carrier to be used for
26 consumption, shipment, or storage in the conduct of its

1 business as an air common carrier, for a flight destined for or
2 returning from a location or locations outside the United
3 States without regard to previous or subsequent domestic
4 stopovers.

5 (13) Proceeds of mandatory service charges separately
6 stated on customers' bills for the purchase and consumption of
7 food and beverages purchased at retail from a retailer, to the
8 extent that the proceeds of the service charge are in fact
9 turned over as tips or as a substitute for tips to the
10 employees who participate directly in preparing, serving,
11 hosting or cleaning up the food or beverage function with
12 respect to which the service charge is imposed.

13 (14) Until July 1, 2003, oil field exploration, drilling,
14 and production equipment, including (i) rigs and parts of rigs,
15 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
16 tubular goods, including casing and drill strings, (iii) pumps
17 and pump-jack units, (iv) storage tanks and flow lines, (v) any
18 individual replacement part for oil field exploration,
19 drilling, and production equipment, and (vi) machinery and
20 equipment purchased for lease; but excluding motor vehicles
21 required to be registered under the Illinois Vehicle Code.

22 (15) Photoprocessing machinery and equipment, including
23 repair and replacement parts, both new and used, including that
24 manufactured on special order, certified by the purchaser to be
25 used primarily for photoprocessing, and including
26 photoprocessing machinery and equipment purchased for lease.

1 (16) Until July 1, 2003, coal exploration, mining,
2 offhighway hauling, processing, maintenance, and reclamation
3 equipment, including replacement parts and equipment, and
4 including equipment purchased for lease, but excluding motor
5 vehicles required to be registered under the Illinois Vehicle
6 Code.

7 (17) Until July 1, 2003, distillation machinery and
8 equipment, sold as a unit or kit, assembled or installed by the
9 retailer, certified by the user to be used only for the
10 production of ethyl alcohol that will be used for consumption
11 as motor fuel or as a component of motor fuel for the personal
12 use of the user, and not subject to sale or resale.

13 (18) Manufacturing and assembling machinery and equipment
14 used primarily in the process of manufacturing or assembling
15 tangible personal property for wholesale or retail sale or
16 lease, whether that sale or lease is made directly by the
17 manufacturer or by some other person, whether the materials
18 used in the process are owned by the manufacturer or some other
19 person, or whether that sale or lease is made apart from or as
20 an incident to the seller's engaging in the service occupation
21 of producing machines, tools, dies, jigs, patterns, gauges, or
22 other similar items of no commercial value on special order for
23 a particular purchaser.

24 (19) Personal property delivered to a purchaser or
25 purchaser's donee inside Illinois when the purchase order for
26 that personal property was received by a florist located

1 outside Illinois who has a florist located inside Illinois
2 deliver the personal property.

3 (20) Semen used for artificial insemination of livestock
4 for direct agricultural production.

5 (21) Horses, or interests in horses, registered with and
6 meeting the requirements of any of the Arabian Horse Club
7 Registry of America, Appaloosa Horse Club, American Quarter
8 Horse Association, United States Trotting Association, or
9 Jockey Club, as appropriate, used for purposes of breeding or
10 racing for prizes. This item (21) is exempt from the provisions
11 of Section 3-90, and the exemption provided for under this item
12 (21) applies for all periods beginning May 30, 1995, but no
13 claim for credit or refund is allowed on or after January 1,
14 2008 for such taxes paid during the period beginning May 30,
15 2000 and ending on January 1, 2008.

16 (22) Computers and communications equipment utilized for
17 any hospital purpose and equipment used in the diagnosis,
18 analysis, or treatment of hospital patients purchased by a
19 lessor who leases the equipment, under a lease of one year or
20 longer executed or in effect at the time the lessor would
21 otherwise be subject to the tax imposed by this Act, to a
22 hospital that has been issued an active tax exemption
23 identification number by the Department under Section 1g of the
24 Retailers' Occupation Tax Act. If the equipment is leased in a
25 manner that does not qualify for this exemption or is used in
26 any other non-exempt manner, the lessor shall be liable for the

1 tax imposed under this Act or the Service Use Tax Act, as the
2 case may be, based on the fair market value of the property at
3 the time the non-qualifying use occurs. No lessor shall collect
4 or attempt to collect an amount (however designated) that
5 purports to reimburse that lessor for the tax imposed by this
6 Act or the Service Use Tax Act, as the case may be, if the tax
7 has not been paid by the lessor. If a lessor improperly
8 collects any such amount from the lessee, the lessee shall have
9 a legal right to claim a refund of that amount from the lessor.
10 If, however, that amount is not refunded to the lessee for any
11 reason, the lessor is liable to pay that amount to the
12 Department.

13 (23) Personal property purchased by a lessor who leases the
14 property, under a lease of one year or longer executed or in
15 effect at the time the lessor would otherwise be subject to the
16 tax imposed by this Act, to a governmental body that has been
17 issued an active sales tax exemption identification number by
18 the Department under Section 1g of the Retailers' Occupation
19 Tax Act. If the property is leased in a manner that does not
20 qualify for this exemption or used in any other non-exempt
21 manner, the lessor shall be liable for the tax imposed under
22 this Act or the Service Use Tax Act, as the case may be, based
23 on the fair market value of the property at the time the
24 non-qualifying use occurs. No lessor shall collect or attempt
25 to collect an amount (however designated) that purports to
26 reimburse that lessor for the tax imposed by this Act or the

1 Service Use Tax Act, as the case may be, if the tax has not been
2 paid by the lessor. If a lessor improperly collects any such
3 amount from the lessee, the lessee shall have a legal right to
4 claim a refund of that amount from the lessor. If, however,
5 that amount is not refunded to the lessee for any reason, the
6 lessor is liable to pay that amount to the Department.

7 (24) Beginning with taxable years ending on or after
8 December 31, 1995 and ending with taxable years ending on or
9 before December 31, 2004, personal property that is donated for
10 disaster relief to be used in a State or federally declared
11 disaster area in Illinois or bordering Illinois by a
12 manufacturer or retailer that is registered in this State to a
13 corporation, society, association, foundation, or institution
14 that has been issued a sales tax exemption identification
15 number by the Department that assists victims of the disaster
16 who reside within the declared disaster area.

17 (25) Beginning with taxable years ending on or after
18 December 31, 1995 and ending with taxable years ending on or
19 before December 31, 2004, personal property that is used in the
20 performance of infrastructure repairs in this State, including
21 but not limited to municipal roads and streets, access roads,
22 bridges, sidewalks, waste disposal systems, water and sewer
23 line extensions, water distribution and purification
24 facilities, storm water drainage and retention facilities, and
25 sewage treatment facilities, resulting from a State or
26 federally declared disaster in Illinois or bordering Illinois

1 when such repairs are initiated on facilities located in the
2 declared disaster area within 6 months after the disaster.

3 (26) Beginning July 1, 1999, game or game birds purchased
4 at a "game breeding and hunting preserve area" or an "exotic
5 game hunting area" as those terms are used in the Wildlife Code
6 or at a hunting enclosure approved through rules adopted by the
7 Department of Natural Resources. This paragraph is exempt from
8 the provisions of Section 3-90.

9 (27) A motor vehicle, as that term is defined in Section
10 1-146 of the Illinois Vehicle Code, that is donated to a
11 corporation, limited liability company, society, association,
12 foundation, or institution that is determined by the Department
13 to be organized and operated exclusively for educational
14 purposes. For purposes of this exemption, "a corporation,
15 limited liability company, society, association, foundation,
16 or institution organized and operated exclusively for
17 educational purposes" means all tax-supported public schools,
18 private schools that offer systematic instruction in useful
19 branches of learning by methods common to public schools and
20 that compare favorably in their scope and intensity with the
21 course of study presented in tax-supported schools, and
22 vocational or technical schools or institutes organized and
23 operated exclusively to provide a course of study of not less
24 than 6 weeks duration and designed to prepare individuals to
25 follow a trade or to pursue a manual, technical, mechanical,
26 industrial, business, or commercial occupation.

1 (28) Beginning January 1, 2000, personal property,
2 including food, purchased through fundraising events for the
3 benefit of a public or private elementary or secondary school,
4 a group of those schools, or one or more school districts if
5 the events are sponsored by an entity recognized by the school
6 district that consists primarily of volunteers and includes
7 parents and teachers of the school children. This paragraph
8 does not apply to fundraising events (i) for the benefit of
9 private home instruction or (ii) for which the fundraising
10 entity purchases the personal property sold at the events from
11 another individual or entity that sold the property for the
12 purpose of resale by the fundraising entity and that profits
13 from the sale to the fundraising entity. This paragraph is
14 exempt from the provisions of Section 3-90.

15 (29) Beginning January 1, 2000 and through December 31,
16 2001, new or used automatic vending machines that prepare and
17 serve hot food and beverages, including coffee, soup, and other
18 items, and replacement parts for these machines. Beginning
19 January 1, 2002 and through June 30, 2003, machines and parts
20 for machines used in commercial, coin-operated amusement and
21 vending business if a use or occupation tax is paid on the
22 gross receipts derived from the use of the commercial,
23 coin-operated amusement and vending machines. This paragraph
24 is exempt from the provisions of Section 3-90.

25 (30) Beginning January 1, 2001 and through June 30, 2011,
26 food for human consumption that is to be consumed off the

1 premises where it is sold (other than alcoholic beverages, soft
2 drinks, and food that has been prepared for immediate
3 consumption) and prescription and nonprescription medicines,
4 drugs, medical appliances, and insulin, urine testing
5 materials, syringes, and needles used by diabetics, for human
6 use, when purchased for use by a person receiving medical
7 assistance under Article 5 of the Illinois Public Aid Code who
8 resides in a licensed long-term care facility, as defined in
9 the Nursing Home Care Act.

10 (31) Beginning on the effective date of this amendatory Act
11 of the 92nd General Assembly, computers and communications
12 equipment utilized for any hospital purpose and equipment used
13 in the diagnosis, analysis, or treatment of hospital patients
14 purchased by a lessor who leases the equipment, under a lease
15 of one year or longer executed or in effect at the time the
16 lessor would otherwise be subject to the tax imposed by this
17 Act, to a hospital that has been issued an active tax exemption
18 identification number by the Department under Section 1g of the
19 Retailers' Occupation Tax Act. If the equipment is leased in a
20 manner that does not qualify for this exemption or is used in
21 any other nonexempt manner, the lessor shall be liable for the
22 tax imposed under this Act or the Service Use Tax Act, as the
23 case may be, based on the fair market value of the property at
24 the time the nonqualifying use occurs. No lessor shall collect
25 or attempt to collect an amount (however designated) that
26 purports to reimburse that lessor for the tax imposed by this

1 Act or the Service Use Tax Act, as the case may be, if the tax
2 has not been paid by the lessor. If a lessor improperly
3 collects any such amount from the lessee, the lessee shall have
4 a legal right to claim a refund of that amount from the lessor.
5 If, however, that amount is not refunded to the lessee for any
6 reason, the lessor is liable to pay that amount to the
7 Department. This paragraph is exempt from the provisions of
8 Section 3-90.

9 (32) Beginning on the effective date of this amendatory Act
10 of the 92nd General Assembly, personal property purchased by a
11 lessor who leases the property, under a lease of one year or
12 longer executed or in effect at the time the lessor would
13 otherwise be subject to the tax imposed by this Act, to a
14 governmental body that has been issued an active sales tax
15 exemption identification number by the Department under
16 Section 1g of the Retailers' Occupation Tax Act. If the
17 property is leased in a manner that does not qualify for this
18 exemption or used in any other nonexempt manner, the lessor
19 shall be liable for the tax imposed under this Act or the
20 Service Use Tax Act, as the case may be, based on the fair
21 market value of the property at the time the nonqualifying use
22 occurs. No lessor shall collect or attempt to collect an amount
23 (however designated) that purports to reimburse that lessor for
24 the tax imposed by this Act or the Service Use Tax Act, as the
25 case may be, if the tax has not been paid by the lessor. If a
26 lessor improperly collects any such amount from the lessee, the

1 lessee shall have a legal right to claim a refund of that
2 amount from the lessor. If, however, that amount is not
3 refunded to the lessee for any reason, the lessor is liable to
4 pay that amount to the Department. This paragraph is exempt
5 from the provisions of Section 3-90.

6 (33) On and after July 1, 2003 and through June 30, 2004,
7 the use in this State of motor vehicles of the second division
8 with a gross vehicle weight in excess of 8,000 pounds and that
9 are subject to the commercial distribution fee imposed under
10 Section 3-815.1 of the Illinois Vehicle Code. Beginning on July
11 1, 2004 and through June 30, 2005, the use in this State of
12 motor vehicles of the second division: (i) with a gross vehicle
13 weight rating in excess of 8,000 pounds; (ii) that are subject
14 to the commercial distribution fee imposed under Section
15 3-815.1 of the Illinois Vehicle Code; and (iii) that are
16 primarily used for commercial purposes. Through June 30, 2005,
17 this exemption applies to repair and replacement parts added
18 after the initial purchase of such a motor vehicle if that
19 motor vehicle is used in a manner that would qualify for the
20 rolling stock exemption otherwise provided for in this Act. For
21 purposes of this paragraph, the term "used for commercial
22 purposes" means the transportation of persons or property in
23 furtherance of any commercial or industrial enterprise,
24 whether for-hire or not.

25 (34) Beginning January 1, 2008, tangible personal property
26 used in the construction or maintenance of a community water

1 supply, as defined under Section 3.145 of the Environmental
2 Protection Act, that is operated by a not-for-profit
3 corporation that holds a valid water supply permit issued under
4 Title IV of the Environmental Protection Act. This paragraph is
5 exempt from the provisions of Section 3-90.

6 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-538,
7 eff. 1-1-08; 95-876, eff. 8-21-08.)

8 (35 ILCS 105/3-30) (from Ch. 120, par. 439.3-30)

9 Sec. 3-30. Graphic arts production. For the purposes of
10 this Act, "graphic arts production" means the production of
11 tangible personal property for wholesale or retail sale or
12 lease by means of printing, including ink jet printing, by one
13 or more of the processes described in Groups 323110 through
14 323122 of Subsector 323, Groups 511110 through 511199 of
15 Subsector 511, and Group 512230 of Subsector 512 of the North
16 American Industry Classification System published by the U.S.
17 Office of Management and Budget, 1997 edition. Graphic arts
18 production does not include (i) the transfer of images onto
19 paper or other tangible personal property by means of
20 photocopying or (ii) final printed products in electronic or
21 audio form, including the production of software or
22 audio-books. For purposes of this Section, persons engaged
23 primarily in the business of printing or publishing newspapers
24 or magazines that qualify as newsprint and ink, by one or more
25 of the processes described in Groups 511110 through 511199 of

1 subsector 511 of the North American Industry 511 of the North
2 American Industry Classification System published by the U.S.
3 Office of Management and Budget, 1997 edition, are deemed to be
4 engaged in graphic arts production.

5 (Source: P.A. 91-51, eff. 6-30-99; 91-541, eff. 8-13-99.)

6 (35 ILCS 105/3-85)

7 Sec. 3-85. Manufacturer's Purchase Credit. For purchases
8 of machinery and equipment made on and after January 1, 1995
9 through June 30, 2003, and on and after September 1, 2004
10 through August 30, 2014, a purchaser of manufacturing machinery
11 and equipment that qualifies for the exemption provided by
12 paragraph (18) of Section 3-5 of this Act earns a credit in an
13 amount equal to a fixed percentage of the tax which would have
14 been incurred under this Act on those purchases. For purchases
15 of graphic arts machinery and equipment made on or after July
16 1, 1996 and through June 30, 2003, and on and after September
17 1, 2004 through August 30, 2014, a purchaser of graphic arts
18 machinery and equipment that qualifies for the exemption
19 provided by paragraph (6) of Section 3-5 of this Act earns a
20 credit in an amount equal to a fixed percentage of the tax that
21 would have been incurred under this Act on those purchases. The
22 credit earned for purchases of manufacturing machinery and
23 equipment or graphic arts machinery and equipment shall be
24 referred to as the Manufacturer's Purchase Credit. A graphic
25 arts producer is a person engaged in graphic arts production as

1 defined in Section 2-30 of the Retailers' Occupation Tax Act.
2 Beginning July 1, 1996, all references in this Section to
3 manufacturers or manufacturing shall also be deemed to refer to
4 graphic arts producers or graphic arts production.

5 The amount of credit shall be a percentage of the tax that
6 would have been incurred on the purchase of manufacturing
7 machinery and equipment or graphic arts machinery and equipment
8 if the exemptions provided by paragraph (6) or paragraph (18)
9 of Section 3-5 of this Act had not been applicable. The
10 percentage shall be as follows:

11 (1) 15% for purchases made on or before June 30, 1995.

12 (2) 25% for purchases made after June 30, 1995, and on
13 or before June 30, 1996.

14 (3) 40% for purchases made after June 30, 1996, and on
15 or before June 30, 1997.

16 (4) 50% for purchases made on or after July 1, 1997.

17 (a) Manufacturer's Purchase Credit earned prior to July 1,
18 2003. This subsection (a) applies to Manufacturer's Purchase
19 Credit earned prior to July 1, 2003. A purchaser of production
20 related tangible personal property desiring to use the
21 Manufacturer's Purchase Credit shall certify to the seller
22 prior to October 1, 2003 that the purchaser is satisfying all
23 or part of the liability under the Use Tax Act or the Service
24 Use Tax Act that is due on the purchase of the production
25 related tangible personal property by use of Manufacturer's
26 Purchase Credit. The Manufacturer's Purchase Credit

1 certification must be dated and shall include the name and
2 address of the purchaser, the purchaser's registration number,
3 if registered, the credit being applied, and a statement that
4 the State Use Tax or Service Use Tax liability is being
5 satisfied with the manufacturer's or graphic arts producer's
6 accumulated purchase credit. Certification may be incorporated
7 into the manufacturer's or graphic arts producer's purchase
8 order. Manufacturer's Purchase Credit certification provided
9 by the manufacturer or graphic arts producer prior to October
10 1, 2003 may be used to satisfy the retailer's or serviceman's
11 liability under the Retailers' Occupation Tax Act or Service
12 Occupation Tax Act for the credit claimed, not to exceed 6.25%
13 of the receipts subject to tax from a qualifying purchase, but
14 only if the retailer or serviceman reports the Manufacturer's
15 Purchase Credit claimed as required by the Department. A
16 Manufacturer's Purchase Credit reported on any original or
17 amended return filed under this Act after October 20, 2003
18 shall be disallowed. The Manufacturer's Purchase Credit earned
19 by purchase of exempt manufacturing machinery and equipment or
20 graphic arts machinery and equipment is a non-transferable
21 credit. A manufacturer or graphic arts producer that enters
22 into a contract involving the installation of tangible personal
23 property into real estate within a manufacturing or graphic
24 arts production facility may, prior to October 1, 2003,
25 authorize a construction contractor to utilize credit
26 accumulated by the manufacturer or graphic arts producer to

1 purchase the tangible personal property. A manufacturer or
2 graphic arts producer intending to use accumulated credit to
3 purchase such tangible personal property shall execute a
4 written contract authorizing the contractor to utilize a
5 specified dollar amount of credit. The contractor shall
6 furnish, prior to October 1, 2003, the supplier with the
7 manufacturer's or graphic arts producer's name, registration
8 or resale number, and a statement that a specific amount of the
9 Use Tax or Service Use Tax liability, not to exceed 6.25% of
10 the selling price, is being satisfied with the credit. The
11 manufacturer or graphic arts producer shall remain liable to
12 timely report all information required by the annual Report of
13 Manufacturer's Purchase Credit Used for all credit utilized by
14 a construction contractor.

15 No Manufacturer's Purchase Credit earned prior to July 1,
16 2003 may be used after October 1, 2003. The Manufacturer's
17 Purchase Credit may be used to satisfy liability under the Use
18 Tax Act or the Service Use Tax Act due on the purchase of
19 production related tangible personal property (including
20 purchases by a manufacturer, by a graphic arts producer, or by
21 a lessor who rents or leases the use of the property to a
22 manufacturer or graphic arts producer) that does not otherwise
23 qualify for the manufacturing machinery and equipment
24 exemption or the graphic arts machinery and equipment
25 exemption. "Production related tangible personal property"
26 means (i) all tangible personal property used or consumed by

1 the purchaser in a manufacturing facility in which a
2 manufacturing process described in Section 2-45 of the
3 Retailers' Occupation Tax Act takes place, including tangible
4 personal property purchased for incorporation into real estate
5 within a manufacturing facility and including, but not limited
6 to, tangible personal property used or consumed in activities
7 such as preproduction material handling, receiving, quality
8 control, inventory control, storage, staging, and packaging
9 for shipping and transportation purposes; (ii) all tangible
10 personal property used or consumed by the purchaser in a
11 graphic arts facility in which graphic arts production as
12 described in Section 2-30 of the Retailers' Occupation Tax Act
13 takes place, including tangible personal property purchased
14 for incorporation into real estate within a graphic arts
15 facility and including, but not limited to, all tangible
16 personal property used or consumed in activities such as
17 graphic arts preliminary or pre-press production,
18 pre-production material handling, receiving, quality control,
19 inventory control, storage, staging, sorting, labeling,
20 mailing, tying, wrapping, and packaging; and (iii) all tangible
21 personal property used or consumed by the purchaser for
22 research and development. "Production related tangible
23 personal property" does not include (i) tangible personal
24 property used, within or without a manufacturing facility, in
25 sales, purchasing, accounting, fiscal management, marketing,
26 personnel recruitment or selection, or landscaping or (ii)

1 tangible personal property required to be titled or registered
2 with a department, agency, or unit of federal, state, or local
3 government. The Manufacturer's Purchase Credit may be used,
4 prior to October 1, 2003, to satisfy the tax arising either
5 from the purchase of machinery and equipment on or after
6 January 1, 1995 for which the exemption provided by paragraph
7 (18) of Section 3-5 of this Act was erroneously claimed, or the
8 purchase of machinery and equipment on or after July 1, 1996
9 for which the exemption provided by paragraph (6) of Section
10 3-5 of this Act was erroneously claimed, but not in
11 satisfaction of penalty, if any, and interest for failure to
12 pay the tax when due. A purchaser of production related
13 tangible personal property who is required to pay Illinois Use
14 Tax or Service Use Tax on the purchase directly to the
15 Department may, prior to October 1, 2003, utilize the
16 Manufacturer's Purchase Credit in satisfaction of the tax
17 arising from that purchase, but not in satisfaction of penalty
18 and interest. A purchaser who uses the Manufacturer's Purchase
19 Credit to purchase property which is later determined not to be
20 production related tangible personal property may be liable for
21 tax, penalty, and interest on the purchase of that property as
22 of the date of purchase but shall be entitled to use the
23 disallowed Manufacturer's Purchase Credit, so long as it has
24 not expired and is used prior to October 1, 2003, on qualifying
25 purchases of production related tangible personal property not
26 previously subject to credit usage. The Manufacturer's

1 Purchase Credit earned by a manufacturer or graphic arts
2 producer expires the last day of the second calendar year
3 following the calendar year in which the credit arose. No
4 Manufacturer's Purchase Credit may be used after September 30,
5 2003 regardless of when that credit was earned.

6 A purchaser earning Manufacturer's Purchase Credit shall
7 sign and file an annual Report of Manufacturer's Purchase
8 Credit Earned for each calendar year no later than the last day
9 of the sixth month following the calendar year in which a
10 Manufacturer's Purchase Credit is earned. A Report of
11 Manufacturer's Purchase Credit Earned shall be filed on forms
12 as prescribed or approved by the Department and shall state,
13 for each month of the calendar year: (i) the total purchase
14 price of all purchases of exempt manufacturing or graphic arts
15 machinery on which the credit was earned; (ii) the total State
16 Use Tax or Service Use Tax which would have been due on those
17 items; (iii) the percentage used to calculate the amount of
18 credit earned; (iv) the amount of credit earned; and (v) such
19 other information as the Department may reasonably require. A
20 purchaser earning Manufacturer's Purchase Credit shall
21 maintain records which identify, as to each purchase of
22 manufacturing or graphic arts machinery and equipment on which
23 the purchaser earned Manufacturer's Purchase Credit, the
24 vendor (including, if applicable, either the vendor's
25 registration number or Federal Employer Identification
26 Number), the purchase price, and the amount of Manufacturer's

1 Purchase Credit earned on each purchase.

2 A purchaser using Manufacturer's Purchase Credit shall
3 sign and file an annual Report of Manufacturer's Purchase
4 Credit Used for each calendar year no later than the last day
5 of the sixth month following the calendar year in which a
6 Manufacturer's Purchase Credit is used. A Report of
7 Manufacturer's Purchase Credit Used shall be filed on forms as
8 prescribed or approved by the Department and shall state, for
9 each month of the calendar year: (i) the total purchase price
10 of production related tangible personal property purchased
11 from Illinois suppliers; (ii) the total purchase price of
12 production related tangible personal property purchased from
13 out-of-state suppliers; (iii) the total amount of credit used
14 during such month; and (iv) such other information as the
15 Department may reasonably require. A purchaser using
16 Manufacturer's Purchase Credit shall maintain records that
17 identify, as to each purchase of production related tangible
18 personal property on which the purchaser used Manufacturer's
19 Purchase Credit, the vendor (including, if applicable, either
20 the vendor's registration number or Federal Employer
21 Identification Number), the purchase price, and the amount of
22 Manufacturer's Purchase Credit used on each purchase.

23 No annual report shall be filed before May 1, 1996 or after
24 June 30, 2004. A purchaser that fails to file an annual Report
25 of Manufacturer's Purchase Credit Earned or an annual Report of
26 Manufacturer's Purchase Credit Used by the last day of the

1 sixth month following the end of the calendar year shall
2 forfeit all Manufacturer's Purchase Credit for that calendar
3 year unless it establishes that its failure to file was due to
4 reasonable cause. Manufacturer's Purchase Credit reports may
5 be amended to report and claim credit on qualifying purchases
6 not previously reported at any time before the credit would
7 have expired, unless both the Department and the purchaser have
8 agreed to an extension of the statute of limitations for the
9 issuance of a notice of tax liability as provided in Section 4
10 of the Retailers' Occupation Tax Act. If the time for
11 assessment or refund has been extended, then amended reports
12 for a calendar year may be filed at any time prior to the date
13 to which the statute of limitations for the calendar year or
14 portion thereof has been extended. No Manufacturer's Purchase
15 Credit report filed with the Department for periods prior to
16 January 1, 1995 shall be approved. Manufacturer's Purchase
17 Credit claimed on an amended report may be used, until October
18 1, 2003, to satisfy tax liability under the Use Tax Act or the
19 Service Use Tax Act (i) on qualifying purchases of production
20 related tangible personal property made after the date the
21 amended report is filed or (ii) assessed by the Department on
22 qualifying purchases of production related tangible personal
23 property made in the case of manufacturers on or after January
24 1, 1995, or in the case of graphic arts producers on or after
25 July 1, 1996.

26 If the purchaser is not the manufacturer or a graphic arts

1 producer, but rents or leases the use of the property to a
2 manufacturer or graphic arts producer, the purchaser may earn,
3 report, and use Manufacturer's Purchase Credit in the same
4 manner as a manufacturer or graphic arts producer.

5 A purchaser shall not be entitled to any Manufacturer's
6 Purchase Credit for a purchase that is required to be reported
7 and is not timely reported as provided in this Section. A
8 purchaser remains liable for (i) any tax that was satisfied by
9 use of a Manufacturer's Purchase Credit, as of the date of
10 purchase, if that use is not timely reported as required in
11 this Section and (ii) for any applicable penalties and interest
12 for failing to pay the tax when due. No Manufacturer's Purchase
13 Credit may be used after September 30, 2003 to satisfy any tax
14 liability imposed under this Act, including any audit
15 liability.

16 (b) Manufacturer's Purchase Credit earned on and after
17 September 1, 2004. This subsection (b) applies to
18 Manufacturer's Purchase Credit earned on and after September 1,
19 2004. Manufacturer's Purchase Credit earned on or after
20 September 1, 2004 may only be used to satisfy the Use Tax or
21 Service Use Tax liability incurred on production related
22 tangible personal property purchased on or after September 1,
23 2004. A purchaser of production related tangible personal
24 property desiring to use the Manufacturer's Purchase Credit
25 shall certify to the seller that the purchaser is satisfying
26 all or part of the liability under the Use Tax Act or the

1 Service Use Tax Act that is due on the purchase of the
2 production related tangible personal property by use of
3 Manufacturer's Purchase Credit. The Manufacturer's Purchase
4 Credit certification must be dated and shall include the name
5 and address of the purchaser, the purchaser's registration
6 number, if registered, the credit being applied, and a
7 statement that the State Use Tax or Service Use Tax liability
8 is being satisfied with the manufacturer's or graphic arts
9 producer's accumulated purchase credit. Certification may be
10 incorporated into the manufacturer's or graphic arts
11 producer's purchase order. Manufacturer's Purchase Credit
12 certification provided by the manufacturer or graphic arts
13 producer may be used to satisfy the retailer's or serviceman's
14 liability under the Retailers' Occupation Tax Act or Service
15 Occupation Tax Act for the credit claimed, not to exceed 6.25%
16 of the receipts subject to tax from a qualifying purchase, but
17 only if the retailer or serviceman reports the Manufacturer's
18 Purchase Credit claimed as required by the Department. The
19 Manufacturer's Purchase Credit earned by purchase of exempt
20 manufacturing machinery and equipment or graphic arts
21 machinery and equipment is a non-transferable credit. A
22 manufacturer or graphic arts producer that enters into a
23 contract involving the installation of tangible personal
24 property into real estate within a manufacturing or graphic
25 arts production facility may, on or after September 1, 2004,
26 authorize a construction contractor to utilize credit

1 accumulated by the manufacturer or graphic arts producer to
2 purchase the tangible personal property. A manufacturer or
3 graphic arts producer intending to use accumulated credit to
4 purchase such tangible personal property shall execute a
5 written contract authorizing the contractor to utilize a
6 specified dollar amount of credit. The contractor shall furnish
7 the supplier with the manufacturer's or graphic arts producer's
8 name, registration or resale number, and a statement that a
9 specific amount of the Use Tax or Service Use Tax liability,
10 not to exceed 6.25% of the selling price, is being satisfied
11 with the credit. The manufacturer or graphic arts producer
12 shall remain liable to timely report all information required
13 by the annual Report of Manufacturer's Purchase Credit Used for
14 all credit utilized by a construction contractor.

15 The Manufacturer's Purchase Credit may be used to satisfy
16 liability under the Use Tax Act or the Service Use Tax Act due
17 on the purchase, made on or after September 1, 2004, of
18 production related tangible personal property (including
19 purchases by a manufacturer, by a graphic arts producer, or by
20 a lessor who rents or leases the use of the property to a
21 manufacturer or graphic arts producer) that does not otherwise
22 qualify for the manufacturing machinery and equipment
23 exemption or the graphic arts machinery and equipment
24 exemption. "Production related tangible personal property"
25 means (i) all tangible personal property used or consumed by
26 the purchaser in a manufacturing facility in which a

1 manufacturing process described in Section 2-45 of the
2 Retailers' Occupation Tax Act takes place, including tangible
3 personal property purchased for incorporation into real estate
4 within a manufacturing facility and including, but not limited
5 to, tangible personal property used or consumed in activities
6 such as preproduction material handling, receiving, quality
7 control, inventory control, storage, staging, and packaging
8 for shipping and transportation purposes; (ii) all tangible
9 personal property used or consumed by the purchaser in a
10 graphic arts facility in which graphic arts production as
11 described in Section 2-30 of the Retailers' Occupation Tax Act
12 takes place, including tangible personal property purchased
13 for incorporation into real estate within a graphic arts
14 facility and including, but not limited to, all tangible
15 personal property used or consumed in activities such as
16 graphic arts preliminary or pre-press production,
17 pre-production material handling, receiving, quality control,
18 inventory control, storage, staging, sorting, labeling,
19 mailing, tying, wrapping, and packaging; and (iii) all tangible
20 personal property used or consumed by the purchaser for
21 research and development. "Production related tangible
22 personal property" does not include (i) tangible personal
23 property used, within or without a manufacturing facility, in
24 sales, purchasing, accounting, fiscal management, marketing,
25 personnel recruitment or selection, or landscaping or (ii)
26 tangible personal property required to be titled or registered

1 with a department, agency, or unit of federal, state, or local
2 government. The Manufacturer's Purchase Credit may be used to
3 satisfy the tax arising either from the purchase of machinery
4 and equipment on or after September 1, 2004 for which the
5 exemption provided by paragraph (18) of Section 3-5 of this Act
6 was erroneously claimed, or the purchase of machinery and
7 equipment on or after September 1, 2004 for which the exemption
8 provided by paragraph (6) of Section 3-5 of this Act was
9 erroneously claimed, but not in satisfaction of penalty, if
10 any, and interest for failure to pay the tax when due. A
11 purchaser of production related tangible personal property
12 that is purchased on or after September 1, 2004 who is required
13 to pay Illinois Use Tax or Service Use Tax on the purchase
14 directly to the Department may utilize the Manufacturer's
15 Purchase Credit in satisfaction of the tax arising from that
16 purchase, but not in satisfaction of penalty and interest. A
17 purchaser who uses the Manufacturer's Purchase Credit to
18 purchase property on and after September 1, 2004 which is later
19 determined not to be production related tangible personal
20 property may be liable for tax, penalty, and interest on the
21 purchase of that property as of the date of purchase but shall
22 be entitled to use the disallowed Manufacturer's Purchase
23 Credit, so long as it has not expired and is used on qualifying
24 purchases of production related tangible personal property not
25 previously subject to credit usage. The Manufacturer's
26 Purchase Credit earned by a manufacturer or graphic arts

1 producer expires the last day of the second calendar year
2 following the calendar year in which the credit arose. A
3 purchaser earning Manufacturer's Purchase Credit shall sign
4 and file an annual Report of Manufacturer's Purchase Credit
5 Earned for each calendar year no later than the last day of the
6 sixth month following the calendar year in which a
7 Manufacturer's Purchase Credit is earned. A Report of
8 Manufacturer's Purchase Credit Earned shall be filed on forms
9 as prescribed or approved by the Department and shall state,
10 for each month of the calendar year: (i) the total purchase
11 price of all purchases of exempt manufacturing or graphic arts
12 machinery on which the credit was earned; (ii) the total State
13 Use Tax or Service Use Tax which would have been due on those
14 items; (iii) the percentage used to calculate the amount of
15 credit earned; (iv) the amount of credit earned; and (v) such
16 other information as the Department may reasonably require. A
17 purchaser earning Manufacturer's Purchase Credit shall
18 maintain records which identify, as to each purchase of
19 manufacturing or graphic arts machinery and equipment on which
20 the purchaser earned Manufacturer's Purchase Credit, the
21 vendor (including, if applicable, either the vendor's
22 registration number or Federal Employer Identification
23 Number), the purchase price, and the amount of Manufacturer's
24 Purchase Credit earned on each purchase. A purchaser using
25 Manufacturer's Purchase Credit shall sign and file an annual
26 Report of Manufacturer's Purchase Credit Used for each calendar

1 year no later than the last day of the sixth month following
2 the calendar year in which a Manufacturer's Purchase Credit is
3 used. A Report of Manufacturer's Purchase Credit Used shall be
4 filed on forms as prescribed or approved by the Department and
5 shall state, for each month of the calendar year: (i) the total
6 purchase price of production related tangible personal
7 property purchased from Illinois suppliers; (ii) the total
8 purchase price of production related tangible personal
9 property purchased from out-of-state suppliers; (iii) the
10 total amount of credit used during such month; and (iv) such
11 other information as the Department may reasonably require. A
12 purchaser using Manufacturer's Purchase Credit shall maintain
13 records that identify, as to each purchase of production
14 related tangible personal property on which the purchaser used
15 Manufacturer's Purchase Credit, the vendor (including, if
16 applicable, either the vendor's registration number or Federal
17 Employer Identification Number), the purchase price, and the
18 amount of Manufacturer's Purchase Credit used on each purchase.

19 A purchaser that fails to file an annual Report of
20 Manufacturer's Purchase Credit Earned or an annual Report of
21 Manufacturer's Purchase Credit Used by the last day of the
22 sixth month following the end of the calendar year shall
23 forfeit all Manufacturer's Purchase Credit for that calendar
24 year unless it establishes that its failure to file was due to
25 reasonable cause. Manufacturer's Purchase Credit reports may
26 be amended to report and claim credit on qualifying purchases

1 not previously reported at any time before the credit would
2 have expired, unless both the Department and the purchaser have
3 agreed to an extension of the statute of limitations for the
4 issuance of a notice of tax liability as provided in Section 4
5 of the Retailers' Occupation Tax Act. If the time for
6 assessment or refund has been extended, then amended reports
7 for a calendar year may be filed at any time prior to the date
8 to which the statute of limitations for the calendar year or
9 portion thereof has been extended. Manufacturer's Purchase
10 Credit claimed on an amended report may be used to satisfy tax
11 liability under the Use Tax Act or the Service Use Tax Act (i)
12 on qualifying purchases of production related tangible
13 personal property made after the date the amended report is
14 filed or (ii) assessed by the Department on qualifying
15 production related tangible personal property purchased on or
16 after September 1, 2004. If the purchaser is not the
17 manufacturer or a graphic arts producer, but rents or leases
18 the use of the property to a manufacturer or graphic arts
19 producer, the purchaser may earn, report, and use
20 Manufacturer's Purchase Credit in the same manner as a
21 manufacturer or graphic arts producer. A purchaser shall not be
22 entitled to any Manufacturer's Purchase Credit for a purchase
23 that is required to be reported and is not timely reported as
24 provided in this Section. A purchaser remains liable for (i)
25 any tax that was satisfied by use of a Manufacturer's Purchase
26 Credit, as of the date of purchase, if that use is not timely

1 reported as required in this Section and (ii) for any
2 applicable penalties and interest for failing to pay the tax
3 when due.

4 (Source: P.A. 93-24, eff. 6-20-03; 93-840, eff. 7-30-04.)

5 Section 15. The Service Use Tax Act is amended by changing
6 Sections 3-5, 3-30, and 3-70 as follows:

7 (35 ILCS 110/3-5) (from Ch. 120, par. 439.33-5)

8 Sec. 3-5. Exemptions. Use of the following tangible
9 personal property is exempt from the tax imposed by this Act:

10 (1) Personal property purchased from a corporation,
11 society, association, foundation, institution, or
12 organization, other than a limited liability company, that is
13 organized and operated as a not-for-profit service enterprise
14 for the benefit of persons 65 years of age or older if the
15 personal property was not purchased by the enterprise for the
16 purpose of resale by the enterprise.

17 (2) Personal property purchased by a non-profit Illinois
18 county fair association for use in conducting, operating, or
19 promoting the county fair.

20 (3) Personal property purchased by a not-for-profit arts or
21 cultural organization that establishes, by proof required by
22 the Department by rule, that it has received an exemption under
23 Section 501(c)(3) of the Internal Revenue Code and that is
24 organized and operated primarily for the presentation or

1 support of arts or cultural programming, activities, or
2 services. These organizations include, but are not limited to,
3 music and dramatic arts organizations such as symphony
4 orchestras and theatrical groups, arts and cultural service
5 organizations, local arts councils, visual arts organizations,
6 and media arts organizations. On and after the effective date
7 of this amendatory Act of the 92nd General Assembly, however,
8 an entity otherwise eligible for this exemption shall not make
9 tax-free purchases unless it has an active identification
10 number issued by the Department.

11 (4) Legal tender, currency, medallions, or gold or silver
12 coinage issued by the State of Illinois, the government of the
13 United States of America, or the government of any foreign
14 country, and bullion.

15 (5) Until July 1, 2003 and beginning again on September 1,
16 2004 through August 30, 2014, graphic arts machinery and
17 equipment, including repair and replacement parts, both new and
18 used, and including that manufactured on special order or
19 purchased for lease, certified by the purchaser to be used
20 primarily for graphic arts production. Equipment includes
21 chemicals or chemicals acting as catalysts but only if the
22 chemicals or chemicals acting as catalysts effect a direct and
23 immediate change upon a graphic arts product.

24 (6) Personal property purchased from a teacher-sponsored
25 student organization affiliated with an elementary or
26 secondary school located in Illinois.

1 (7) Farm machinery and equipment, both new and used,
2 including that manufactured on special order, certified by the
3 purchaser to be used primarily for production agriculture or
4 State or federal agricultural programs, including individual
5 replacement parts for the machinery and equipment, including
6 machinery and equipment purchased for lease, and including
7 implements of husbandry defined in Section 1-130 of the
8 Illinois Vehicle Code, farm machinery and agricultural
9 chemical and fertilizer spreaders, and nurse wagons required to
10 be registered under Section 3-809 of the Illinois Vehicle Code,
11 but excluding other motor vehicles required to be registered
12 under the Illinois Vehicle Code. Horticultural polyhouses or
13 hoop houses used for propagating, growing, or overwintering
14 plants shall be considered farm machinery and equipment under
15 this item (7). Agricultural chemical tender tanks and dry boxes
16 shall include units sold separately from a motor vehicle
17 required to be licensed and units sold mounted on a motor
18 vehicle required to be licensed if the selling price of the
19 tender is separately stated.

20 Farm machinery and equipment shall include precision
21 farming equipment that is installed or purchased to be
22 installed on farm machinery and equipment including, but not
23 limited to, tractors, harvesters, sprayers, planters, seeders,
24 or spreaders. Precision farming equipment includes, but is not
25 limited to, soil testing sensors, computers, monitors,
26 software, global positioning and mapping systems, and other

1 such equipment.

2 Farm machinery and equipment also includes computers,
3 sensors, software, and related equipment used primarily in the
4 computer-assisted operation of production agriculture
5 facilities, equipment, and activities such as, but not limited
6 to, the collection, monitoring, and correlation of animal and
7 crop data for the purpose of formulating animal diets and
8 agricultural chemicals. This item (7) is exempt from the
9 provisions of Section 3-75.

10 (8) Fuel and petroleum products sold to or used by an air
11 common carrier, certified by the carrier to be used for
12 consumption, shipment, or storage in the conduct of its
13 business as an air common carrier, for a flight destined for or
14 returning from a location or locations outside the United
15 States without regard to previous or subsequent domestic
16 stopovers.

17 (9) Proceeds of mandatory service charges separately
18 stated on customers' bills for the purchase and consumption of
19 food and beverages acquired as an incident to the purchase of a
20 service from a serviceman, to the extent that the proceeds of
21 the service charge are in fact turned over as tips or as a
22 substitute for tips to the employees who participate directly
23 in preparing, serving, hosting or cleaning up the food or
24 beverage function with respect to which the service charge is
25 imposed.

26 (10) Until July 1, 2003, oil field exploration, drilling,

1 and production equipment, including (i) rigs and parts of rigs,
2 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
3 tubular goods, including casing and drill strings, (iii) pumps
4 and pump-jack units, (iv) storage tanks and flow lines, (v) any
5 individual replacement part for oil field exploration,
6 drilling, and production equipment, and (vi) machinery and
7 equipment purchased for lease; but excluding motor vehicles
8 required to be registered under the Illinois Vehicle Code.

9 (11) Proceeds from the sale of photoprocessing machinery
10 and equipment, including repair and replacement parts, both new
11 and used, including that manufactured on special order,
12 certified by the purchaser to be used primarily for
13 photoprocessing, and including photoprocessing machinery and
14 equipment purchased for lease.

15 (12) Until July 1, 2003, coal exploration, mining,
16 offhighway hauling, processing, maintenance, and reclamation
17 equipment, including replacement parts and equipment, and
18 including equipment purchased for lease, but excluding motor
19 vehicles required to be registered under the Illinois Vehicle
20 Code.

21 (13) Semen used for artificial insemination of livestock
22 for direct agricultural production.

23 (14) Horses, or interests in horses, registered with and
24 meeting the requirements of any of the Arabian Horse Club
25 Registry of America, Appaloosa Horse Club, American Quarter
26 Horse Association, United States Trotting Association, or

1 Jockey Club, as appropriate, used for purposes of breeding or
2 racing for prizes. This item (14) is exempt from the provisions
3 of Section 3-75, and the exemption provided for under this item
4 (14) applies for all periods beginning May 30, 1995, but no
5 claim for credit or refund is allowed on or after the effective
6 date of this amendatory Act of the 95th General Assembly for
7 such taxes paid during the period beginning May 30, 2000 and
8 ending on the effective date of this amendatory Act of the 95th
9 General Assembly.

10 (15) Computers and communications equipment utilized for
11 any hospital purpose and equipment used in the diagnosis,
12 analysis, or treatment of hospital patients purchased by a
13 lessor who leases the equipment, under a lease of one year or
14 longer executed or in effect at the time the lessor would
15 otherwise be subject to the tax imposed by this Act, to a
16 hospital that has been issued an active tax exemption
17 identification number by the Department under Section 1g of the
18 Retailers' Occupation Tax Act. If the equipment is leased in a
19 manner that does not qualify for this exemption or is used in
20 any other non-exempt manner, the lessor shall be liable for the
21 tax imposed under this Act or the Use Tax Act, as the case may
22 be, based on the fair market value of the property at the time
23 the non-qualifying use occurs. No lessor shall collect or
24 attempt to collect an amount (however designated) that purports
25 to reimburse that lessor for the tax imposed by this Act or the
26 Use Tax Act, as the case may be, if the tax has not been paid by

1 the lessor. If a lessor improperly collects any such amount
2 from the lessee, the lessee shall have a legal right to claim a
3 refund of that amount from the lessor. If, however, that amount
4 is not refunded to the lessee for any reason, the lessor is
5 liable to pay that amount to the Department.

6 (16) Personal property purchased by a lessor who leases the
7 property, under a lease of one year or longer executed or in
8 effect at the time the lessor would otherwise be subject to the
9 tax imposed by this Act, to a governmental body that has been
10 issued an active tax exemption identification number by the
11 Department under Section 1g of the Retailers' Occupation Tax
12 Act. If the property is leased in a manner that does not
13 qualify for this exemption or is used in any other non-exempt
14 manner, the lessor shall be liable for the tax imposed under
15 this Act or the Use Tax Act, as the case may be, based on the
16 fair market value of the property at the time the
17 non-qualifying use occurs. No lessor shall collect or attempt
18 to collect an amount (however designated) that purports to
19 reimburse that lessor for the tax imposed by this Act or the
20 Use Tax Act, as the case may be, if the tax has not been paid by
21 the lessor. If a lessor improperly collects any such amount
22 from the lessee, the lessee shall have a legal right to claim a
23 refund of that amount from the lessor. If, however, that amount
24 is not refunded to the lessee for any reason, the lessor is
25 liable to pay that amount to the Department.

26 (17) Beginning with taxable years ending on or after

1 December 31, 1995 and ending with taxable years ending on or
2 before December 31, 2004, personal property that is donated for
3 disaster relief to be used in a State or federally declared
4 disaster area in Illinois or bordering Illinois by a
5 manufacturer or retailer that is registered in this State to a
6 corporation, society, association, foundation, or institution
7 that has been issued a sales tax exemption identification
8 number by the Department that assists victims of the disaster
9 who reside within the declared disaster area.

10 (18) Beginning with taxable years ending on or after
11 December 31, 1995 and ending with taxable years ending on or
12 before December 31, 2004, personal property that is used in the
13 performance of infrastructure repairs in this State, including
14 but not limited to municipal roads and streets, access roads,
15 bridges, sidewalks, waste disposal systems, water and sewer
16 line extensions, water distribution and purification
17 facilities, storm water drainage and retention facilities, and
18 sewage treatment facilities, resulting from a State or
19 federally declared disaster in Illinois or bordering Illinois
20 when such repairs are initiated on facilities located in the
21 declared disaster area within 6 months after the disaster.

22 (19) Beginning July 1, 1999, game or game birds purchased
23 at a "game breeding and hunting preserve area" or an "exotic
24 game hunting area" as those terms are used in the Wildlife Code
25 or at a hunting enclosure approved through rules adopted by the
26 Department of Natural Resources. This paragraph is exempt from

1 the provisions of Section 3-75.

2 (20) A motor vehicle, as that term is defined in Section
3 1-146 of the Illinois Vehicle Code, that is donated to a
4 corporation, limited liability company, society, association,
5 foundation, or institution that is determined by the Department
6 to be organized and operated exclusively for educational
7 purposes. For purposes of this exemption, "a corporation,
8 limited liability company, society, association, foundation,
9 or institution organized and operated exclusively for
10 educational purposes" means all tax-supported public schools,
11 private schools that offer systematic instruction in useful
12 branches of learning by methods common to public schools and
13 that compare favorably in their scope and intensity with the
14 course of study presented in tax-supported schools, and
15 vocational or technical schools or institutes organized and
16 operated exclusively to provide a course of study of not less
17 than 6 weeks duration and designed to prepare individuals to
18 follow a trade or to pursue a manual, technical, mechanical,
19 industrial, business, or commercial occupation.

20 (21) Beginning January 1, 2000, personal property,
21 including food, purchased through fundraising events for the
22 benefit of a public or private elementary or secondary school,
23 a group of those schools, or one or more school districts if
24 the events are sponsored by an entity recognized by the school
25 district that consists primarily of volunteers and includes
26 parents and teachers of the school children. This paragraph

1 does not apply to fundraising events (i) for the benefit of
2 private home instruction or (ii) for which the fundraising
3 entity purchases the personal property sold at the events from
4 another individual or entity that sold the property for the
5 purpose of resale by the fundraising entity and that profits
6 from the sale to the fundraising entity. This paragraph is
7 exempt from the provisions of Section 3-75.

8 (22) Beginning January 1, 2000 and through December 31,
9 2001, new or used automatic vending machines that prepare and
10 serve hot food and beverages, including coffee, soup, and other
11 items, and replacement parts for these machines. Beginning
12 January 1, 2002 and through June 30, 2003, machines and parts
13 for machines used in commercial, coin-operated amusement and
14 vending business if a use or occupation tax is paid on the
15 gross receipts derived from the use of the commercial,
16 coin-operated amusement and vending machines. This paragraph
17 is exempt from the provisions of Section 3-75.

18 (23) Beginning August 23, 2001 and through June 30, 2011,
19 food for human consumption that is to be consumed off the
20 premises where it is sold (other than alcoholic beverages, soft
21 drinks, and food that has been prepared for immediate
22 consumption) and prescription and nonprescription medicines,
23 drugs, medical appliances, and insulin, urine testing
24 materials, syringes, and needles used by diabetics, for human
25 use, when purchased for use by a person receiving medical
26 assistance under Article 5 of the Illinois Public Aid Code who

1 resides in a licensed long-term care facility, as defined in
2 the Nursing Home Care Act.

3 (24) Beginning on the effective date of this amendatory Act
4 of the 92nd General Assembly, computers and communications
5 equipment utilized for any hospital purpose and equipment used
6 in the diagnosis, analysis, or treatment of hospital patients
7 purchased by a lessor who leases the equipment, under a lease
8 of one year or longer executed or in effect at the time the
9 lessor would otherwise be subject to the tax imposed by this
10 Act, to a hospital that has been issued an active tax exemption
11 identification number by the Department under Section 1g of the
12 Retailers' Occupation Tax Act. If the equipment is leased in a
13 manner that does not qualify for this exemption or is used in
14 any other nonexempt manner, the lessor shall be liable for the
15 tax imposed under this Act or the Use Tax Act, as the case may
16 be, based on the fair market value of the property at the time
17 the nonqualifying use occurs. No lessor shall collect or
18 attempt to collect an amount (however designated) that purports
19 to reimburse that lessor for the tax imposed by this Act or the
20 Use Tax Act, as the case may be, if the tax has not been paid by
21 the lessor. If a lessor improperly collects any such amount
22 from the lessee, the lessee shall have a legal right to claim a
23 refund of that amount from the lessor. If, however, that amount
24 is not refunded to the lessee for any reason, the lessor is
25 liable to pay that amount to the Department. This paragraph is
26 exempt from the provisions of Section 3-75.

1 (25) Beginning on the effective date of this amendatory Act
2 of the 92nd General Assembly, personal property purchased by a
3 lessor who leases the property, under a lease of one year or
4 longer executed or in effect at the time the lessor would
5 otherwise be subject to the tax imposed by this Act, to a
6 governmental body that has been issued an active tax exemption
7 identification number by the Department under Section 1g of the
8 Retailers' Occupation Tax Act. If the property is leased in a
9 manner that does not qualify for this exemption or is used in
10 any other nonexempt manner, the lessor shall be liable for the
11 tax imposed under this Act or the Use Tax Act, as the case may
12 be, based on the fair market value of the property at the time
13 the nonqualifying use occurs. No lessor shall collect or
14 attempt to collect an amount (however designated) that purports
15 to reimburse that lessor for the tax imposed by this Act or the
16 Use Tax Act, as the case may be, if the tax has not been paid by
17 the lessor. If a lessor improperly collects any such amount
18 from the lessee, the lessee shall have a legal right to claim a
19 refund of that amount from the lessor. If, however, that amount
20 is not refunded to the lessee for any reason, the lessor is
21 liable to pay that amount to the Department. This paragraph is
22 exempt from the provisions of Section 3-75.

23 (26) Beginning January 1, 2008, tangible personal property
24 used in the construction or maintenance of a community water
25 supply, as defined under Section 3.145 of the Environmental
26 Protection Act, that is operated by a not-for-profit

1 corporation that holds a valid water supply permit issued under
2 Title IV of the Environmental Protection Act. This paragraph is
3 exempt from the provisions of Section 3-75.

4 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-538,
5 eff. 1-1-08; 95-876, eff. 8-21-08.)

6 (35 ILCS 110/3-30) (from Ch. 120, par. 439.33-30)

7 Sec. 3-30. Graphic arts production. For the purposes of
8 this Act, "graphic arts production" means the production of
9 tangible personal property for wholesale or retail sale or
10 lease by means of printing, including ink jet printing, by one
11 or more of the processes described in Groups 323110 through
12 323122 of Subsector 323, Groups 511110 through 511199 of
13 Subsector 511, and Group 512230 of Subsector 512 of the North
14 American Industry Classification System published by the U.S.
15 Office of Management and Budget, 1997 edition. Graphic arts
16 production does not include (i) the transfer of images onto
17 paper or other tangible personal property by means of
18 photocopying or (ii) final printed products in electronic or
19 audio form, including the production of software or
20 audio-books. For purposes of this Section, persons engaged
21 primarily in the business of printing or publishing newspapers
22 or magazines that qualify as newsprint and ink, by one or more
23 of the processes described in Groups 511110 through 511199 of
24 subsector 511 of the North American Industry Classification
25 System published by the U.S. Office of Management and Budget,

1 1997 edition, are deemed to be engaged in graphic arts
2 production.

3 (Source: P.A. 91-51, eff. 6-30-99; 91-541, eff. 8-13-99.)

4 (35 ILCS 110/3-70)

5 Sec. 3-70. Manufacturer's Purchase Credit. For purchases
6 of machinery and equipment made on and after January 1, 1995
7 and through June 30, 2003, and on and after September 1, 2004
8 through August 30, 2014, a purchaser of manufacturing machinery
9 and equipment that qualifies for the exemption provided by
10 Section 2 of this Act earns a credit in an amount equal to a
11 fixed percentage of the tax which would have been incurred
12 under this Act on those purchases. For purchases of graphic
13 arts machinery and equipment made on or after July 1, 1996
14 through June 30, 2003, and on and after September 1, 2004
15 through August 30, 2014, a purchase of graphic arts machinery
16 and equipment that qualifies for the exemption provided by
17 paragraph (5) of Section 3-5 of this Act earns a credit in an
18 amount equal to a fixed percentage of the tax that would have
19 been incurred under this Act on those purchases. The credit
20 earned for the purchase of manufacturing machinery and
21 equipment and graphic arts machinery and equipment shall be
22 referred to as the Manufacturer's Purchase Credit. A graphic
23 arts producer is a person engaged in graphic arts production as
24 defined in Section 3-30 of the Service Occupation Tax Act.
25 Beginning July 1, 1996, all references in this Section to

1 manufacturers or manufacturing shall also refer to graphic arts
2 producers or graphic arts production.

3 The amount of credit shall be a percentage of the tax that
4 would have been incurred on the purchase of the manufacturing
5 machinery and equipment or graphic arts machinery and equipment
6 if the exemptions provided by Section 2 or paragraph (5) of
7 Section 3-5 of this Act had not been applicable.

8 All purchases prior to October 1, 2003 of manufacturing
9 machinery and equipment and graphic arts machinery and
10 equipment that qualify for the exemptions provided by paragraph
11 (5) of Section 2 or paragraph (5) of Section 3-5 of this Act
12 qualify for the credit without regard to whether the serviceman
13 elected, or could have elected, under paragraph (7) of Section
14 2 of this Act to exclude the transaction from this Act. If the
15 serviceman's billing to the service customer separately states
16 a selling price for the exempt manufacturing machinery or
17 equipment or the exempt graphic arts machinery and equipment,
18 the credit shall be calculated, as otherwise provided herein,
19 based on that selling price. If the serviceman's billing does
20 not separately state a selling price for the exempt
21 manufacturing machinery and equipment or the exempt graphic
22 arts machinery and equipment, the credit shall be calculated,
23 as otherwise provided herein, based on 50% of the entire
24 billing. If the serviceman contracts to design, develop, and
25 produce special order manufacturing machinery and equipment or
26 special order graphic arts machinery and equipment, and the

1 billing does not separately state a selling price for such
2 special order machinery and equipment, the credit shall be
3 calculated, as otherwise provided herein, based on 50% of the
4 entire billing. The provisions of this paragraph are effective
5 for purchases made on or after January 1, 1995.

6 The percentage shall be as follows:

7 (1) 15% for purchases made on or before June 30, 1995.

8 (2) 25% for purchases made after June 30, 1995, and on
9 or before June 30, 1996.

10 (3) 40% for purchases made after June 30, 1996, and on
11 or before June 30, 1997.

12 (4) 50% for purchases made on or after July 1, 1997.

13 (a) Manufacturer's Purchase Credit earned prior to July 1,
14 2003. This subsection (a) applies to Manufacturer's Purchase
15 Credit earned prior to July 1, 2003. A purchaser of production
16 related tangible personal property desiring to use the
17 Manufacturer's Purchase Credit shall certify to the seller
18 prior to October 1, 2003 that the purchaser is satisfying all
19 or part of the liability under the Use Tax Act or the Service
20 Use Tax Act that is due on the purchase of the production
21 related tangible personal property by use of a Manufacturer's
22 Purchase Credit. The Manufacturer's Purchase Credit
23 certification must be dated and shall include the name and
24 address of the purchaser, the purchaser's registration number,
25 if registered, the credit being applied, and a statement that
26 the State Use Tax or Service Use Tax liability is being

1 satisfied with the manufacturer's or graphic arts producer's
2 accumulated purchase credit. Certification may be incorporated
3 into the manufacturer's or graphic arts producer's purchase
4 order. Manufacturer's Purchase Credit certification provided
5 by the manufacturer or graphic arts producer prior to October
6 1, 2003 may be used to satisfy the retailer's or serviceman's
7 liability under the Retailers' Occupation Tax Act or Service
8 Occupation Tax Act for the credit claimed, not to exceed 6.25%
9 of the receipts subject to tax from a qualifying purchase, but
10 only if the retailer or serviceman reports the Manufacturer's
11 Purchase Credit claimed as required by the Department. A
12 Manufacturer's Purchase Credit reported on any original or
13 amended return filed under this Act after October 20, 2003
14 shall be disallowed. The Manufacturer's Purchase Credit earned
15 by purchase of exempt manufacturing machinery and equipment or
16 graphic arts machinery and equipment is a non-transferable
17 credit. A manufacturer or graphic arts producer that enters
18 into a contract involving the installation of tangible personal
19 property into real estate within a manufacturing or graphic
20 arts production facility, prior to October 1, 2003, may
21 authorize a construction contractor to utilize credit
22 accumulated by the manufacturer or graphic arts producer to
23 purchase the tangible personal property. A manufacturer or
24 graphic arts producer intending to use accumulated credit to
25 purchase such tangible personal property shall execute a
26 written contract authorizing the contractor to utilize a

1 specified dollar amount of credit. The contractor shall
2 furnish, prior to October 1, 2003, the supplier with the
3 manufacturer's or graphic arts producer's name, registration
4 or resale number, and a statement that a specific amount of the
5 Use Tax or Service Use Tax liability, not to exceed 6.25% of
6 the selling price, is being satisfied with the credit. The
7 manufacturer or graphic arts producer shall remain liable to
8 timely report all information required by the annual Report of
9 Manufacturer's Purchase Credit Used for credit utilized by a
10 construction contractor.

11 No Manufacturer's Purchase Credit earned prior to July 1,
12 2003 may be used after October 1, 2003. The Manufacturer's
13 Purchase Credit may be used to satisfy liability under the Use
14 Tax Act or the Service Use Tax Act due on the purchase of
15 production related tangible personal property (including
16 purchases by a manufacturer, by a graphic arts producer, or a
17 lessor who rents or leases the use of the property to a
18 manufacturer or graphic arts producer) that does not otherwise
19 qualify for the manufacturing machinery and equipment
20 exemption or the graphic arts machinery and equipment
21 exemption. "Production related tangible personal property"
22 means (i) all tangible personal property used or consumed by
23 the purchaser in a manufacturing facility in which a
24 manufacturing process described in Section 2-45 of the
25 Retailers' Occupation Tax Act takes place, including tangible
26 personal property purchased for incorporation into real estate

1 within a manufacturing facility and including, but not limited
2 to, tangible personal property used or consumed in activities
3 such as pre-production material handling, receiving, quality
4 control, inventory control, storage, staging, and packaging
5 for shipping and transportation purposes; (ii) all tangible
6 personal property used or consumed by the purchaser in a
7 graphic arts facility in which graphic arts production as
8 described in Section 2-30 of the Retailers' Occupation Tax Act
9 takes place, including tangible personal property purchased
10 for incorporation into real estate within a graphic arts
11 facility and including, but not limited to, all tangible
12 personal property used or consumed in activities such as
13 graphic arts preliminary or pre-press production,
14 pre-production material handling, receiving, quality control,
15 inventory control, storage, staging, sorting, labeling,
16 mailing, tying, wrapping, and packaging; and (iii) all tangible
17 personal property used or consumed by the purchaser for
18 research and development. "Production related tangible
19 personal property" does not include (i) tangible personal
20 property used, within or without a manufacturing or graphic
21 arts facility, in sales, purchasing, accounting, fiscal
22 management, marketing, personnel recruitment or selection, or
23 landscaping or (ii) tangible personal property required to be
24 titled or registered with a department, agency, or unit of
25 federal, state, or local government. The Manufacturer's
26 Purchase Credit may be used, prior to October 1, 2003, to

1 satisfy the tax arising either from the purchase of machinery
2 and equipment on or after January 1, 1995 for which the
3 manufacturing machinery and equipment exemption provided by
4 Section 2 of this Act was erroneously claimed, or the purchase
5 of machinery and equipment on or after July 1, 1996 for which
6 the exemption provided by paragraph (5) of Section 3-5 of this
7 Act was erroneously claimed, but not in satisfaction of
8 penalty, if any, and interest for failure to pay the tax when
9 due. A purchaser of production related tangible personal
10 property who is required to pay Illinois Use Tax or Service Use
11 Tax on the purchase directly to the Department may, prior to
12 October 1, 2003, utilize the Manufacturer's Purchase Credit in
13 satisfaction of the tax arising from that purchase, but not in
14 satisfaction of penalty and interest. A purchaser who uses the
15 Manufacturer's Purchase Credit to purchase property which is
16 later determined not to be production related tangible personal
17 property may be liable for tax, penalty, and interest on the
18 purchase of that property as of the date of purchase but shall
19 be entitled to use the disallowed Manufacturer's Purchase
20 Credit, so long as it has not expired and is used prior to
21 October 1, 2003, on qualifying purchases of production related
22 tangible personal property not previously subject to credit
23 usage. The Manufacturer's Purchase Credit earned by a
24 manufacturer or graphic arts producer expires the last day of
25 the second calendar year following the calendar year in which
26 the credit arose. No Manufacturer's Purchase Credit may be used

1 after September 30, 2003 regardless of when that credit was
2 earned.

3 A purchaser earning Manufacturer's Purchase Credit shall
4 sign and file an annual Report of Manufacturer's Purchase
5 Credit Earned for each calendar year no later than the last day
6 of the sixth month following the calendar year in which a
7 Manufacturer's Purchase Credit is earned. A Report of
8 Manufacturer's Purchase Credit Earned shall be filed on forms
9 as prescribed or approved by the Department and shall state,
10 for each month of the calendar year: (i) the total purchase
11 price of all purchases of exempt manufacturing or graphic arts
12 machinery on which the credit was earned; (ii) the total State
13 Use Tax or Service Use Tax which would have been due on those
14 items; (iii) the percentage used to calculate the amount of
15 credit earned; (iv) the amount of credit earned; and (v) such
16 other information as the Department may reasonably require. A
17 purchaser earning Manufacturer's Purchase Credit shall
18 maintain records which identify, as to each purchase of
19 manufacturing or graphic arts machinery and equipment on which
20 the purchaser earned Manufacturer's Purchase Credit, the
21 vendor (including, if applicable, either the vendor's
22 registration number or Federal Employer Identification
23 Number), the purchase price, and the amount of Manufacturer's
24 Purchase Credit earned on each purchase.

25 A purchaser using Manufacturer's Purchase Credit shall
26 sign and file an annual Report of Manufacturer's Purchase

1 Credit Used for each calendar year no later than the last day
2 of the sixth month following the calendar year in which a
3 Manufacturer's Purchase Credit is used. A Report of
4 Manufacturer's Purchase Credit Used shall be filed on forms as
5 prescribed or approved by the Department and shall state, for
6 each month of the calendar year: (i) the total purchase price
7 of production related tangible personal property purchased
8 from Illinois suppliers; (ii) the total purchase price of
9 production related tangible personal property purchased from
10 out-of-state suppliers; (iii) the total amount of credit used
11 during such month; and (iv) such other information as the
12 Department may reasonably require. A purchaser using
13 Manufacturer's Purchase Credit shall maintain records that
14 identify, as to each purchase of production related tangible
15 personal property on which the purchaser used Manufacturer's
16 Purchase Credit, the vendor (including, if applicable, either
17 the vendor's registration number or Federal Employer
18 Identification Number), the purchase price, and the amount of
19 Manufacturer's Purchase Credit used on each purchase.

20 No annual report shall be filed before May 1, 1996 or after
21 June 30, 2004. A purchaser that fails to file an annual Report
22 of Manufacturer's Purchase Credit Earned or an annual Report of
23 Manufacturer's Purchase Credit Used by the last day of the
24 sixth month following the end of the calendar year shall
25 forfeit all Manufacturer's Purchase Credit for that calendar
26 year unless it establishes that its failure to file was due to

1 reasonable cause. Manufacturer's Purchase Credit reports may
2 be amended to report and claim credit on qualifying purchases
3 not previously reported at any time before the credit would
4 have expired, unless both the Department and the purchaser have
5 agreed to an extension of the statute of limitations for the
6 issuance of a notice of tax liability as provided in Section 4
7 of the Retailers' Occupation Tax Act. If the time for
8 assessment or refund has been extended, then amended reports
9 for a calendar year may be filed at any time prior to the date
10 to which the statute of limitations for the calendar year or
11 portion thereof has been extended. No Manufacturer's Purchase
12 Credit report filed with the Department for periods prior to
13 January 1, 1995 shall be approved. Manufacturer's Purchase
14 Credit claimed on an amended report may be used, prior to
15 October 1, 2003, to satisfy tax liability under the Use Tax Act
16 or the Service Use Tax Act (i) on qualifying purchases of
17 production related tangible personal property made after the
18 date the amended report is filed or (ii) assessed by the
19 Department on qualifying purchases of production related
20 tangible personal property made in the case of manufacturers on
21 or after January 1, 1995, or in the case of graphic arts
22 producers on or after July 1, 1996.

23 If the purchaser is not the manufacturer or a graphic arts
24 producer, but rents or leases the use of the property to a
25 manufacturer or a graphic arts producer, the purchaser may
26 earn, report, and use Manufacturer's Purchase Credit in the

1 same manner as a manufacturer or graphic arts producer.

2 A purchaser shall not be entitled to any Manufacturer's
3 Purchase Credit for a purchase that is required to be reported
4 and is not timely reported as provided in this Section. A
5 purchaser remains liable for (i) any tax that was satisfied by
6 use of a Manufacturer's Purchase Credit, as of the date of
7 purchase, if that use is not timely reported as required in
8 this Section and (ii) for any applicable penalties and interest
9 for failing to pay the tax when due. No Manufacturer's Purchase
10 Credit may be used after September 30, 2003 to satisfy any tax
11 liability imposed under this Act, including any audit
12 liability.

13 (b) Manufacturer's Purchase Credit earned on and after
14 September 1, 2004. This subsection (b) applies to
15 Manufacturer's Purchase Credit earned on or after September 1,
16 2004. Manufacturer's Purchase Credit earned on or after
17 September 1, 2004 may only be used to satisfy the Use Tax or
18 Service Use Tax liability incurred on production related
19 tangible personal property purchased on or after September 1,
20 2004. A purchaser of production related tangible personal
21 property desiring to use the Manufacturer's Purchase Credit
22 shall certify to the seller that the purchaser is satisfying
23 all or part of the liability under the Use Tax Act or the
24 Service Use Tax Act that is due on the purchase of the
25 production related tangible personal property by use of a
26 Manufacturer's Purchase Credit. The Manufacturer's Purchase

1 Credit certification must be dated and shall include the name
2 and address of the purchaser, the purchaser's registration
3 number, if registered, the credit being applied, and a
4 statement that the State Use Tax or Service Use Tax liability
5 is being satisfied with the manufacturer's or graphic arts
6 producer's accumulated purchase credit. Certification may be
7 incorporated into the manufacturer's or graphic arts
8 producer's purchase order. Manufacturer's Purchase Credit
9 certification provided by the manufacturer or graphic arts
10 producer may be used to satisfy the retailer's or serviceman's
11 liability under the Retailers' Occupation Tax Act or Service
12 Occupation Tax Act for the credit claimed, not to exceed 6.25%
13 of the receipts subject to tax from a qualifying purchase, but
14 only if the retailer or serviceman reports the Manufacturer's
15 Purchase Credit claimed as required by the Department. The
16 Manufacturer's Purchase Credit earned by purchase of exempt
17 manufacturing machinery and equipment or graphic arts
18 machinery and equipment is a non-transferable credit. A
19 manufacturer or graphic arts producer that enters into a
20 contract involving the installation of tangible personal
21 property into real estate within a manufacturing or graphic
22 arts production facility may, on or after September 1, 2004,
23 authorize a construction contractor to utilize credit
24 accumulated by the manufacturer or graphic arts producer to
25 purchase the tangible personal property. A manufacturer or
26 graphic arts producer intending to use accumulated credit to

1 purchase such tangible personal property shall execute a
2 written contract authorizing the contractor to utilize a
3 specified dollar amount of credit. The contractor shall furnish
4 the supplier with the manufacturer's or graphic arts producer's
5 name, registration or resale number, and a statement that a
6 specific amount of the Use Tax or Service Use Tax liability,
7 not to exceed 6.25% of the selling price, is being satisfied
8 with the credit. The manufacturer or graphic arts producer
9 shall remain liable to timely report all information required
10 by the annual Report of Manufacturer's Purchase Credit Used for
11 credit utilized by a construction contractor.

12 The Manufacturer's Purchase Credit may be used to satisfy
13 liability under the Use Tax Act or the Service Use Tax Act due
14 on the purchase, made on or after September 1, 2004, of
15 production related tangible personal property (including
16 purchases by a manufacturer, by a graphic arts producer, or a
17 lessor who rents or leases the use of the property to a
18 manufacturer or graphic arts producer) that does not otherwise
19 qualify for the manufacturing machinery and equipment
20 exemption or the graphic arts machinery and equipment
21 exemption. "Production related tangible personal property"
22 means (i) all tangible personal property used or consumed by
23 the purchaser in a manufacturing facility in which a
24 manufacturing process described in Section 2-45 of the
25 Retailers' Occupation Tax Act takes place, including tangible
26 personal property purchased for incorporation into real estate

1 within a manufacturing facility and including, but not limited
2 to, tangible personal property used or consumed in activities
3 such as pre-production material handling, receiving, quality
4 control, inventory control, storage, staging, and packaging
5 for shipping and transportation purposes; (ii) all tangible
6 personal property used or consumed by the purchaser in a
7 graphic arts facility in which graphic arts production as
8 described in Section 2-30 of the Retailers' Occupation Tax Act
9 takes place, including tangible personal property purchased
10 for incorporation into real estate within a graphic arts
11 facility and including, but not limited to, all tangible
12 personal property used or consumed in activities such as
13 graphic arts preliminary or pre-press production,
14 pre-production material handling, receiving, quality control,
15 inventory control, storage, staging, sorting, labeling,
16 mailing, tying, wrapping, and packaging; and (iii) all tangible
17 personal property used or consumed by the purchaser for
18 research and development. "Production related tangible
19 personal property" does not include (i) tangible personal
20 property used, within or without a manufacturing or graphic
21 arts facility, in sales, purchasing, accounting, fiscal
22 management, marketing, personnel recruitment or selection, or
23 landscaping or (ii) tangible personal property required to be
24 titled or registered with a department, agency, or unit of
25 federal, state, or local government. The Manufacturer's
26 Purchase Credit may be used to satisfy the tax arising either

1 from the purchase of machinery and equipment on or after
2 September 1, 2004 for which the manufacturing machinery and
3 equipment exemption provided by Section 2 of this Act was
4 erroneously claimed, or the purchase of machinery and equipment
5 on or after September 1, 2004 for which the exemption provided
6 by paragraph (5) of Section 3-5 of this Act was erroneously
7 claimed, but not in satisfaction of penalty, if any, and
8 interest for failure to pay the tax when due. A purchaser of
9 production related tangible personal property that is
10 purchased on or after September 1, 2004 who is required to pay
11 Illinois Use Tax or Service Use Tax on the purchase directly to
12 the Department may utilize the Manufacturer's Purchase Credit
13 in satisfaction of the tax arising from that purchase, but not
14 in satisfaction of penalty and interest. A purchaser who uses
15 the Manufacturer's Purchase Credit to purchase property on and
16 after September 1, 2004 which is later determined not to be
17 production related tangible personal property may be liable for
18 tax, penalty, and interest on the purchase of that property as
19 of the date of purchase but shall be entitled to use the
20 disallowed Manufacturer's Purchase Credit, so long as it has
21 not expired, on qualifying purchases of production related
22 tangible personal property not previously subject to credit
23 usage. The Manufacturer's Purchase Credit earned by a
24 manufacturer or graphic arts producer expires the last day of
25 the second calendar year following the calendar year in which
26 the credit arose.

1 A purchaser earning Manufacturer's Purchase Credit shall
2 sign and file an annual Report of Manufacturer's Purchase
3 Credit Earned for each calendar year no later than the last day
4 of the sixth month following the calendar year in which a
5 Manufacturer's Purchase Credit is earned. A Report of
6 Manufacturer's Purchase Credit Earned shall be filed on forms
7 as prescribed or approved by the Department and shall state,
8 for each month of the calendar year: (i) the total purchase
9 price of all purchases of exempt manufacturing or graphic arts
10 machinery on which the credit was earned; (ii) the total State
11 Use Tax or Service Use Tax which would have been due on those
12 items; (iii) the percentage used to calculate the amount of
13 credit earned; (iv) the amount of credit earned; and (v) such
14 other information as the Department may reasonably require. A
15 purchaser earning Manufacturer's Purchase Credit shall
16 maintain records which identify, as to each purchase of
17 manufacturing or graphic arts machinery and equipment on which
18 the purchaser earned Manufacturer's Purchase Credit, the
19 vendor (including, if applicable, either the vendor's
20 registration number or Federal Employer Identification
21 Number), the purchase price, and the amount of Manufacturer's
22 Purchase Credit earned on each purchase.

23 A purchaser using Manufacturer's Purchase Credit shall
24 sign and file an annual Report of Manufacturer's Purchase
25 Credit Used for each calendar year no later than the last day
26 of the sixth month following the calendar year in which a

1 Manufacturer's Purchase Credit is used. A Report of
2 Manufacturer's Purchase Credit Used shall be filed on forms as
3 prescribed or approved by the Department and shall state, for
4 each month of the calendar year: (i) the total purchase price
5 of production related tangible personal property purchased
6 from Illinois suppliers; (ii) the total purchase price of
7 production related tangible personal property purchased from
8 out-of-state suppliers; (iii) the total amount of credit used
9 during such month; and (iv) such other information as the
10 Department may reasonably require. A purchaser using
11 Manufacturer's Purchase Credit shall maintain records that
12 identify, as to each purchase of production related tangible
13 personal property on which the purchaser used Manufacturer's
14 Purchase Credit, the vendor (including, if applicable, either
15 the vendor's registration number or Federal Employer
16 Identification Number), the purchase price, and the amount of
17 Manufacturer's Purchase Credit used on each purchase.

18 A purchaser that fails to file an annual Report of
19 Manufacturer's Purchase Credit Earned or an annual Report of
20 Manufacturer's Purchase Credit Used by the last day of the
21 sixth month following the end of the calendar year shall
22 forfeit all Manufacturer's Purchase Credit for that calendar
23 year unless it establishes that its failure to file was due to
24 reasonable cause. Manufacturer's Purchase Credit reports may
25 be amended to report and claim credit on qualifying purchases
26 not previously reported at any time before the credit would

1 have expired, unless both the Department and the purchaser have
2 agreed to an extension of the statute of limitations for the
3 issuance of a notice of tax liability as provided in Section 4
4 of the Retailers' Occupation Tax Act. If the time for
5 assessment or refund has been extended, then amended reports
6 for a calendar year may be filed at any time prior to the date
7 to which the statute of limitations for the calendar year or
8 portion thereof has been extended. Manufacturer's Purchase
9 Credit claimed on an amended report may be used to satisfy tax
10 liability under the Use Tax Act or the Service Use Tax Act (i)
11 on qualifying purchases of production related tangible
12 personal property made after the date the amended report is
13 filed or (ii) assessed by the Department on qualifying
14 production related tangible personal property purchased on or
15 after September 1, 2004.

16 If the purchaser is not the manufacturer or a graphic arts
17 producer, but rents or leases the use of the property to a
18 manufacturer or a graphic arts producer, the purchaser may
19 earn, report, and use Manufacturer's Purchase Credit in the
20 same manner as a manufacturer or graphic arts producer. A
21 purchaser shall not be entitled to any Manufacturer's Purchase
22 Credit for a purchase that is required to be reported and is
23 not timely reported as provided in this Section. A purchaser
24 remains liable for (i) any tax that was satisfied by use of a
25 Manufacturer's Purchase Credit, as of the date of purchase, if
26 that use is not timely reported as required in this Section and

1 (ii) for any applicable penalties and interest for failing to
2 pay the tax when due.

3 (Source: P.A. 93-24, eff. 6-20-03; 93-840, eff. 7-30-04.)

4 Section 20. The Service Occupation Tax Act is amended by
5 changing Sections 3-5 and 3-30 as follows:

6 (35 ILCS 115/3-5) (from Ch. 120, par. 439.103-5)

7 Sec. 3-5. Exemptions. The following tangible personal
8 property is exempt from the tax imposed by this Act:

9 (1) Personal property sold by a corporation, society,
10 association, foundation, institution, or organization, other
11 than a limited liability company, that is organized and
12 operated as a not-for-profit service enterprise for the benefit
13 of persons 65 years of age or older if the personal property
14 was not purchased by the enterprise for the purpose of resale
15 by the enterprise.

16 (2) Personal property purchased by a not-for-profit
17 Illinois county fair association for use in conducting,
18 operating, or promoting the county fair.

19 (3) Personal property purchased by any not-for-profit arts
20 or cultural organization that establishes, by proof required by
21 the Department by rule, that it has received an exemption under
22 Section 501(c)(3) of the Internal Revenue Code and that is
23 organized and operated primarily for the presentation or
24 support of arts or cultural programming, activities, or

1 services. These organizations include, but are not limited to,
2 music and dramatic arts organizations such as symphony
3 orchestras and theatrical groups, arts and cultural service
4 organizations, local arts councils, visual arts organizations,
5 and media arts organizations. On and after the effective date
6 of this amendatory Act of the 92nd General Assembly, however,
7 an entity otherwise eligible for this exemption shall not make
8 tax-free purchases unless it has an active identification
9 number issued by the Department.

10 (4) Legal tender, currency, medallions, or gold or silver
11 coinage issued by the State of Illinois, the government of the
12 United States of America, or the government of any foreign
13 country, and bullion.

14 (5) Until July 1, 2003 and beginning again on September 1,
15 2004 through August 30, 2014, graphic arts machinery and
16 equipment, including repair and replacement parts, both new and
17 used, and including that manufactured on special order or
18 purchased for lease, certified by the purchaser to be used
19 primarily for graphic arts production. Equipment includes
20 chemicals or chemicals acting as catalysts but only if the
21 chemicals or chemicals acting as catalysts effect a direct and
22 immediate change upon a graphic arts product.

23 (6) Personal property sold by a teacher-sponsored student
24 organization affiliated with an elementary or secondary school
25 located in Illinois.

26 (7) Farm machinery and equipment, both new and used,

1 including that manufactured on special order, certified by the
2 purchaser to be used primarily for production agriculture or
3 State or federal agricultural programs, including individual
4 replacement parts for the machinery and equipment, including
5 machinery and equipment purchased for lease, and including
6 implements of husbandry defined in Section 1-130 of the
7 Illinois Vehicle Code, farm machinery and agricultural
8 chemical and fertilizer spreaders, and nurse wagons required to
9 be registered under Section 3-809 of the Illinois Vehicle Code,
10 but excluding other motor vehicles required to be registered
11 under the Illinois Vehicle Code. Horticultural polyhouses or
12 hoop houses used for propagating, growing, or overwintering
13 plants shall be considered farm machinery and equipment under
14 this item (7). Agricultural chemical tender tanks and dry boxes
15 shall include units sold separately from a motor vehicle
16 required to be licensed and units sold mounted on a motor
17 vehicle required to be licensed if the selling price of the
18 tender is separately stated.

19 Farm machinery and equipment shall include precision
20 farming equipment that is installed or purchased to be
21 installed on farm machinery and equipment including, but not
22 limited to, tractors, harvesters, sprayers, planters, seeders,
23 or spreaders. Precision farming equipment includes, but is not
24 limited to, soil testing sensors, computers, monitors,
25 software, global positioning and mapping systems, and other
26 such equipment.

1 Farm machinery and equipment also includes computers,
2 sensors, software, and related equipment used primarily in the
3 computer-assisted operation of production agriculture
4 facilities, equipment, and activities such as, but not limited
5 to, the collection, monitoring, and correlation of animal and
6 crop data for the purpose of formulating animal diets and
7 agricultural chemicals. This item (7) is exempt from the
8 provisions of Section 3-55.

9 (8) Fuel and petroleum products sold to or used by an air
10 common carrier, certified by the carrier to be used for
11 consumption, shipment, or storage in the conduct of its
12 business as an air common carrier, for a flight destined for or
13 returning from a location or locations outside the United
14 States without regard to previous or subsequent domestic
15 stopovers.

16 (9) Proceeds of mandatory service charges separately
17 stated on customers' bills for the purchase and consumption of
18 food and beverages, to the extent that the proceeds of the
19 service charge are in fact turned over as tips or as a
20 substitute for tips to the employees who participate directly
21 in preparing, serving, hosting or cleaning up the food or
22 beverage function with respect to which the service charge is
23 imposed.

24 (10) Until July 1, 2003, oil field exploration, drilling,
25 and production equipment, including (i) rigs and parts of rigs,
26 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and

1 tubular goods, including casing and drill strings, (iii) pumps
2 and pump-jack units, (iv) storage tanks and flow lines, (v) any
3 individual replacement part for oil field exploration,
4 drilling, and production equipment, and (vi) machinery and
5 equipment purchased for lease; but excluding motor vehicles
6 required to be registered under the Illinois Vehicle Code.

7 (11) Photoprocessing machinery and equipment, including
8 repair and replacement parts, both new and used, including that
9 manufactured on special order, certified by the purchaser to be
10 used primarily for photoprocessing, and including
11 photoprocessing machinery and equipment purchased for lease.

12 (12) Until July 1, 2003, coal exploration, mining,
13 offhighway hauling, processing, maintenance, and reclamation
14 equipment, including replacement parts and equipment, and
15 including equipment purchased for lease, but excluding motor
16 vehicles required to be registered under the Illinois Vehicle
17 Code.

18 (13) Beginning January 1, 1992 and through June 30, 2011,
19 food for human consumption that is to be consumed off the
20 premises where it is sold (other than alcoholic beverages, soft
21 drinks and food that has been prepared for immediate
22 consumption) and prescription and non-prescription medicines,
23 drugs, medical appliances, and insulin, urine testing
24 materials, syringes, and needles used by diabetics, for human
25 use, when purchased for use by a person receiving medical
26 assistance under Article 5 of the Illinois Public Aid Code who

1 resides in a licensed long-term care facility, as defined in
2 the Nursing Home Care Act.

3 (14) Semen used for artificial insemination of livestock
4 for direct agricultural production.

5 (15) Horses, or interests in horses, registered with and
6 meeting the requirements of any of the Arabian Horse Club
7 Registry of America, Appaloosa Horse Club, American Quarter
8 Horse Association, United States Trotting Association, or
9 Jockey Club, as appropriate, used for purposes of breeding or
10 racing for prizes. This item (15) is exempt from the provisions
11 of Section 3-55, and the exemption provided for under this item
12 (15) applies for all periods beginning May 30, 1995, but no
13 claim for credit or refund is allowed on or after January 1,
14 2008 (the effective date of Public Act 95-88) for such taxes
15 paid during the period beginning May 30, 2000 and ending on
16 January 1, 2008 (the effective date of Public Act 95-88).

17 (16) Computers and communications equipment utilized for
18 any hospital purpose and equipment used in the diagnosis,
19 analysis, or treatment of hospital patients sold to a lessor
20 who leases the equipment, under a lease of one year or longer
21 executed or in effect at the time of the purchase, to a
22 hospital that has been issued an active tax exemption
23 identification number by the Department under Section 1g of the
24 Retailers' Occupation Tax Act.

25 (17) Personal property sold to a lessor who leases the
26 property, under a lease of one year or longer executed or in

1 effect at the time of the purchase, to a governmental body that
2 has been issued an active tax exemption identification number
3 by the Department under Section 1g of the Retailers' Occupation
4 Tax Act.

5 (18) Beginning with taxable years ending on or after
6 December 31, 1995 and ending with taxable years ending on or
7 before December 31, 2004, personal property that is donated for
8 disaster relief to be used in a State or federally declared
9 disaster area in Illinois or bordering Illinois by a
10 manufacturer or retailer that is registered in this State to a
11 corporation, society, association, foundation, or institution
12 that has been issued a sales tax exemption identification
13 number by the Department that assists victims of the disaster
14 who reside within the declared disaster area.

15 (19) Beginning with taxable years ending on or after
16 December 31, 1995 and ending with taxable years ending on or
17 before December 31, 2004, personal property that is used in the
18 performance of infrastructure repairs in this State, including
19 but not limited to municipal roads and streets, access roads,
20 bridges, sidewalks, waste disposal systems, water and sewer
21 line extensions, water distribution and purification
22 facilities, storm water drainage and retention facilities, and
23 sewage treatment facilities, resulting from a State or
24 federally declared disaster in Illinois or bordering Illinois
25 when such repairs are initiated on facilities located in the
26 declared disaster area within 6 months after the disaster.

1 (20) Beginning July 1, 1999, game or game birds sold at a
2 "game breeding and hunting preserve area" or an "exotic game
3 hunting area" as those terms are used in the Wildlife Code or
4 at a hunting enclosure approved through rules adopted by the
5 Department of Natural Resources. This paragraph is exempt from
6 the provisions of Section 3-55.

7 (21) A motor vehicle, as that term is defined in Section
8 1-146 of the Illinois Vehicle Code, that is donated to a
9 corporation, limited liability company, society, association,
10 foundation, or institution that is determined by the Department
11 to be organized and operated exclusively for educational
12 purposes. For purposes of this exemption, "a corporation,
13 limited liability company, society, association, foundation,
14 or institution organized and operated exclusively for
15 educational purposes" means all tax-supported public schools,
16 private schools that offer systematic instruction in useful
17 branches of learning by methods common to public schools and
18 that compare favorably in their scope and intensity with the
19 course of study presented in tax-supported schools, and
20 vocational or technical schools or institutes organized and
21 operated exclusively to provide a course of study of not less
22 than 6 weeks duration and designed to prepare individuals to
23 follow a trade or to pursue a manual, technical, mechanical,
24 industrial, business, or commercial occupation.

25 (22) Beginning January 1, 2000, personal property,
26 including food, purchased through fundraising events for the

1 benefit of a public or private elementary or secondary school,
2 a group of those schools, or one or more school districts if
3 the events are sponsored by an entity recognized by the school
4 district that consists primarily of volunteers and includes
5 parents and teachers of the school children. This paragraph
6 does not apply to fundraising events (i) for the benefit of
7 private home instruction or (ii) for which the fundraising
8 entity purchases the personal property sold at the events from
9 another individual or entity that sold the property for the
10 purpose of resale by the fundraising entity and that profits
11 from the sale to the fundraising entity. This paragraph is
12 exempt from the provisions of Section 3-55.

13 (23) Beginning January 1, 2000 and through December 31,
14 2001, new or used automatic vending machines that prepare and
15 serve hot food and beverages, including coffee, soup, and other
16 items, and replacement parts for these machines. Beginning
17 January 1, 2002 and through June 30, 2003, machines and parts
18 for machines used in commercial, coin-operated amusement and
19 vending business if a use or occupation tax is paid on the
20 gross receipts derived from the use of the commercial,
21 coin-operated amusement and vending machines. This paragraph
22 is exempt from the provisions of Section 3-55.

23 (24) Beginning on the effective date of this amendatory Act
24 of the 92nd General Assembly, computers and communications
25 equipment utilized for any hospital purpose and equipment used
26 in the diagnosis, analysis, or treatment of hospital patients

1 sold to a lessor who leases the equipment, under a lease of one
2 year or longer executed or in effect at the time of the
3 purchase, to a hospital that has been issued an active tax
4 exemption identification number by the Department under
5 Section 1g of the Retailers' Occupation Tax Act. This paragraph
6 is exempt from the provisions of Section 3-55.

7 (25) Beginning on the effective date of this amendatory Act
8 of the 92nd General Assembly, personal property sold to a
9 lessor who leases the property, under a lease of one year or
10 longer executed or in effect at the time of the purchase, to a
11 governmental body that has been issued an active tax exemption
12 identification number by the Department under Section 1g of the
13 Retailers' Occupation Tax Act. This paragraph is exempt from
14 the provisions of Section 3-55.

15 (26) Beginning on January 1, 2002 and through June 30,
16 2011, tangible personal property purchased from an Illinois
17 retailer by a taxpayer engaged in centralized purchasing
18 activities in Illinois who will, upon receipt of the property
19 in Illinois, temporarily store the property in Illinois (i) for
20 the purpose of subsequently transporting it outside this State
21 for use or consumption thereafter solely outside this State or
22 (ii) for the purpose of being processed, fabricated, or
23 manufactured into, attached to, or incorporated into other
24 tangible personal property to be transported outside this State
25 and thereafter used or consumed solely outside this State. The
26 Director of Revenue shall, pursuant to rules adopted in

1 accordance with the Illinois Administrative Procedure Act,
2 issue a permit to any taxpayer in good standing with the
3 Department who is eligible for the exemption under this
4 paragraph (26). The permit issued under this paragraph (26)
5 shall authorize the holder, to the extent and in the manner
6 specified in the rules adopted under this Act, to purchase
7 tangible personal property from a retailer exempt from the
8 taxes imposed by this Act. Taxpayers shall maintain all
9 necessary books and records to substantiate the use and
10 consumption of all such tangible personal property outside of
11 the State of Illinois.

12 (27) Beginning January 1, 2008, tangible personal property
13 used in the construction or maintenance of a community water
14 supply, as defined under Section 3.145 of the Environmental
15 Protection Act, that is operated by a not-for-profit
16 corporation that holds a valid water supply permit issued under
17 Title IV of the Environmental Protection Act. This paragraph is
18 exempt from the provisions of Section 3-55.

19 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-538,
20 eff. 1-1-08; 95-876, eff. 8-21-08.)

21 (35 ILCS 115/3-30) (from Ch. 120, par. 439.103-30)

22 Sec. 3-30. Graphic arts production. For purposes of this
23 Act, "graphic arts production" means the production of tangible
24 personal property for wholesale or retail sale or lease by
25 means of printing, including ink jet printing, by one or more

1 of the processes described in Groups 323110 through 323122 of
2 Subsector 323, Groups 511110 through 511199 of Subsector 511,
3 and Group 512230 of Subsector 512 of the North American
4 Industry Classification System published by the U.S. Office of
5 Management and Budget, 1997 edition. Graphic arts production
6 does not include (i) the transfer of images onto paper or other
7 tangible personal property by means of photocopying or (ii)
8 final printed products in electronic or audio form, including
9 the production of software or audio-books. For the purpose of
10 this Section, persons engaged primarily in the business of
11 printing or publishing newspapers or magazines that qualify as
12 newsprint and ink, by one or more of the processes described in
13 Groups 511110 through 511199 of subsector 511 of the North
14 American Industry Classification System published by the U.S.
15 Office of Management and Budget, 1997 edition, are deemed to be
16 engaged in graphic arts production.

17 (Source: P.A. 91-51, eff. 6-30-99; 91-541, eff. 8-13-99.)

18 Section 25. The Retailers' Occupation Tax Act is amended by
19 changing Sections 2-5 and 2-30 as follows:

20 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

21 Sec. 2-5. Exemptions. Gross receipts from proceeds from the
22 sale of the following tangible personal property are exempt
23 from the tax imposed by this Act:

24 (1) Farm chemicals.

1 (2) Farm machinery and equipment, both new and used,
2 including that manufactured on special order, certified by the
3 purchaser to be used primarily for production agriculture or
4 State or federal agricultural programs, including individual
5 replacement parts for the machinery and equipment, including
6 machinery and equipment purchased for lease, and including
7 implements of husbandry defined in Section 1-130 of the
8 Illinois Vehicle Code, farm machinery and agricultural
9 chemical and fertilizer spreaders, and nurse wagons required to
10 be registered under Section 3-809 of the Illinois Vehicle Code,
11 but excluding other motor vehicles required to be registered
12 under the Illinois Vehicle Code. Horticultural polyhouses or
13 hoop houses used for propagating, growing, or overwintering
14 plants shall be considered farm machinery and equipment under
15 this item (2). Agricultural chemical tender tanks and dry boxes
16 shall include units sold separately from a motor vehicle
17 required to be licensed and units sold mounted on a motor
18 vehicle required to be licensed, if the selling price of the
19 tender is separately stated.

20 Farm machinery and equipment shall include precision
21 farming equipment that is installed or purchased to be
22 installed on farm machinery and equipment including, but not
23 limited to, tractors, harvesters, sprayers, planters, seeders,
24 or spreaders. Precision farming equipment includes, but is not
25 limited to, soil testing sensors, computers, monitors,
26 software, global positioning and mapping systems, and other

1 such equipment.

2 Farm machinery and equipment also includes computers,
3 sensors, software, and related equipment used primarily in the
4 computer-assisted operation of production agriculture
5 facilities, equipment, and activities such as, but not limited
6 to, the collection, monitoring, and correlation of animal and
7 crop data for the purpose of formulating animal diets and
8 agricultural chemicals. This item (7) is exempt from the
9 provisions of Section 2-70.

10 (3) Until July 1, 2003, distillation machinery and
11 equipment, sold as a unit or kit, assembled or installed by the
12 retailer, certified by the user to be used only for the
13 production of ethyl alcohol that will be used for consumption
14 as motor fuel or as a component of motor fuel for the personal
15 use of the user, and not subject to sale or resale.

16 (4) Until July 1, 2003 and beginning again September 1,
17 2004 through August 30, 2014, graphic arts machinery and
18 equipment, including repair and replacement parts, both new and
19 used, and including that manufactured on special order or
20 purchased for lease, certified by the purchaser to be used
21 primarily for graphic arts production. Equipment includes
22 chemicals or chemicals acting as catalysts but only if the
23 chemicals or chemicals acting as catalysts effect a direct and
24 immediate change upon a graphic arts product.

25 (5) A motor vehicle of the first division, a motor vehicle
26 of the second division that is a self contained motor vehicle

1 designed or permanently converted to provide living quarters
2 for recreational, camping, or travel use, with direct walk
3 through access to the living quarters from the driver's seat,
4 or a motor vehicle of the second division that is of the van
5 configuration designed for the transportation of not less than
6 7 nor more than 16 passengers, as defined in Section 1-146 of
7 the Illinois Vehicle Code, that is used for automobile renting,
8 as defined in the Automobile Renting Occupation and Use Tax
9 Act. This paragraph is exempt from the provisions of Section
10 2-70.

11 (6) Personal property sold by a teacher-sponsored student
12 organization affiliated with an elementary or secondary school
13 located in Illinois.

14 (7) Until July 1, 2003, proceeds of that portion of the
15 selling price of a passenger car the sale of which is subject
16 to the Replacement Vehicle Tax.

17 (8) Personal property sold to an Illinois county fair
18 association for use in conducting, operating, or promoting the
19 county fair.

20 (9) Personal property sold to a not-for-profit arts or
21 cultural organization that establishes, by proof required by
22 the Department by rule, that it has received an exemption under
23 Section 501(c)(3) of the Internal Revenue Code and that is
24 organized and operated primarily for the presentation or
25 support of arts or cultural programming, activities, or
26 services. These organizations include, but are not limited to,

1 music and dramatic arts organizations such as symphony
2 orchestras and theatrical groups, arts and cultural service
3 organizations, local arts councils, visual arts organizations,
4 and media arts organizations. On and after the effective date
5 of this amendatory Act of the 92nd General Assembly, however,
6 an entity otherwise eligible for this exemption shall not make
7 tax-free purchases unless it has an active identification
8 number issued by the Department.

9 (10) Personal property sold by a corporation, society,
10 association, foundation, institution, or organization, other
11 than a limited liability company, that is organized and
12 operated as a not-for-profit service enterprise for the benefit
13 of persons 65 years of age or older if the personal property
14 was not purchased by the enterprise for the purpose of resale
15 by the enterprise.

16 (11) Personal property sold to a governmental body, to a
17 corporation, society, association, foundation, or institution
18 organized and operated exclusively for charitable, religious,
19 or educational purposes, or to a not-for-profit corporation,
20 society, association, foundation, institution, or organization
21 that has no compensated officers or employees and that is
22 organized and operated primarily for the recreation of persons
23 55 years of age or older. A limited liability company may
24 qualify for the exemption under this paragraph only if the
25 limited liability company is organized and operated
26 exclusively for educational purposes. On and after July 1,

1 1987, however, no entity otherwise eligible for this exemption
2 shall make tax-free purchases unless it has an active
3 identification number issued by the Department.

4 (12) Tangible personal property sold to interstate
5 carriers for hire for use as rolling stock moving in interstate
6 commerce or to lessors under leases of one year or longer
7 executed or in effect at the time of purchase by interstate
8 carriers for hire for use as rolling stock moving in interstate
9 commerce and equipment operated by a telecommunications
10 provider, licensed as a common carrier by the Federal
11 Communications Commission, which is permanently installed in
12 or affixed to aircraft moving in interstate commerce.

13 (12-5) On and after July 1, 2003 and through June 30, 2004,
14 motor vehicles of the second division with a gross vehicle
15 weight in excess of 8,000 pounds that are subject to the
16 commercial distribution fee imposed under Section 3-815.1 of
17 the Illinois Vehicle Code. Beginning on July 1, 2004 and
18 through June 30, 2005, the use in this State of motor vehicles
19 of the second division: (i) with a gross vehicle weight rating
20 in excess of 8,000 pounds; (ii) that are subject to the
21 commercial distribution fee imposed under Section 3-815.1 of
22 the Illinois Vehicle Code; and (iii) that are primarily used
23 for commercial purposes. Through June 30, 2005, this exemption
24 applies to repair and replacement parts added after the initial
25 purchase of such a motor vehicle if that motor vehicle is used
26 in a manner that would qualify for the rolling stock exemption

1 otherwise provided for in this Act. For purposes of this
2 paragraph, "used for commercial purposes" means the
3 transportation of persons or property in furtherance of any
4 commercial or industrial enterprise whether for-hire or not.

5 (13) Proceeds from sales to owners, lessors, or shippers of
6 tangible personal property that is utilized by interstate
7 carriers for hire for use as rolling stock moving in interstate
8 commerce and equipment operated by a telecommunications
9 provider, licensed as a common carrier by the Federal
10 Communications Commission, which is permanently installed in
11 or affixed to aircraft moving in interstate commerce.

12 (14) Machinery and equipment that will be used by the
13 purchaser, or a lessee of the purchaser, primarily in the
14 process of manufacturing or assembling tangible personal
15 property for wholesale or retail sale or lease, whether the
16 sale or lease is made directly by the manufacturer or by some
17 other person, whether the materials used in the process are
18 owned by the manufacturer or some other person, or whether the
19 sale or lease is made apart from or as an incident to the
20 seller's engaging in the service occupation of producing
21 machines, tools, dies, jigs, patterns, gauges, or other similar
22 items of no commercial value on special order for a particular
23 purchaser.

24 (15) Proceeds of mandatory service charges separately
25 stated on customers' bills for purchase and consumption of food
26 and beverages, to the extent that the proceeds of the service

1 charge are in fact turned over as tips or as a substitute for
2 tips to the employees who participate directly in preparing,
3 serving, hosting or cleaning up the food or beverage function
4 with respect to which the service charge is imposed.

5 (16) Petroleum products sold to a purchaser if the seller
6 is prohibited by federal law from charging tax to the
7 purchaser.

8 (17) Tangible personal property sold to a common carrier by
9 rail or motor that receives the physical possession of the
10 property in Illinois and that transports the property, or
11 shares with another common carrier in the transportation of the
12 property, out of Illinois on a standard uniform bill of lading
13 showing the seller of the property as the shipper or consignor
14 of the property to a destination outside Illinois, for use
15 outside Illinois.

16 (18) Legal tender, currency, medallions, or gold or silver
17 coinage issued by the State of Illinois, the government of the
18 United States of America, or the government of any foreign
19 country, and bullion.

20 (19) Until July 1 2003, oil field exploration, drilling,
21 and production equipment, including (i) rigs and parts of rigs,
22 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
23 tubular goods, including casing and drill strings, (iii) pumps
24 and pump-jack units, (iv) storage tanks and flow lines, (v) any
25 individual replacement part for oil field exploration,
26 drilling, and production equipment, and (vi) machinery and

1 equipment purchased for lease; but excluding motor vehicles
2 required to be registered under the Illinois Vehicle Code.

3 (20) Photoprocessing machinery and equipment, including
4 repair and replacement parts, both new and used, including that
5 manufactured on special order, certified by the purchaser to be
6 used primarily for photoprocessing, and including
7 photoprocessing machinery and equipment purchased for lease.

8 (21) Until July 1, 2003, coal exploration, mining,
9 offhighway hauling, processing, maintenance, and reclamation
10 equipment, including replacement parts and equipment, and
11 including equipment purchased for lease, but excluding motor
12 vehicles required to be registered under the Illinois Vehicle
13 Code.

14 (22) Fuel and petroleum products sold to or used by an air
15 carrier, certified by the carrier to be used for consumption,
16 shipment, or storage in the conduct of its business as an air
17 common carrier, for a flight destined for or returning from a
18 location or locations outside the United States without regard
19 to previous or subsequent domestic stopovers.

20 (23) A transaction in which the purchase order is received
21 by a florist who is located outside Illinois, but who has a
22 florist located in Illinois deliver the property to the
23 purchaser or the purchaser's donee in Illinois.

24 (24) Fuel consumed or used in the operation of ships,
25 barges, or vessels that are used primarily in or for the
26 transportation of property or the conveyance of persons for

1 hire on rivers bordering on this State if the fuel is delivered
2 by the seller to the purchaser's barge, ship, or vessel while
3 it is afloat upon that bordering river.

4 (25) Except as provided in item (25-5) of this Section, a
5 motor vehicle sold in this State to a nonresident even though
6 the motor vehicle is delivered to the nonresident in this
7 State, if the motor vehicle is not to be titled in this State,
8 and if a drive-away permit is issued to the motor vehicle as
9 provided in Section 3-603 of the Illinois Vehicle Code or if
10 the nonresident purchaser has vehicle registration plates to
11 transfer to the motor vehicle upon returning to his or her home
12 state. The issuance of the drive-away permit or having the
13 out-of-state registration plates to be transferred is prima
14 facie evidence that the motor vehicle will not be titled in
15 this State.

16 (25-5) The exemption under item (25) does not apply if the
17 state in which the motor vehicle will be titled does not allow
18 a reciprocal exemption for a motor vehicle sold and delivered
19 in that state to an Illinois resident but titled in Illinois.
20 The tax collected under this Act on the sale of a motor vehicle
21 in this State to a resident of another state that does not
22 allow a reciprocal exemption shall be imposed at a rate equal
23 to the state's rate of tax on taxable property in the state in
24 which the purchaser is a resident, except that the tax shall
25 not exceed the tax that would otherwise be imposed under this
26 Act. At the time of the sale, the purchaser shall execute a

1 statement, signed under penalty of perjury, of his or her
2 intent to title the vehicle in the state in which the purchaser
3 is a resident within 30 days after the sale and of the fact of
4 the payment to the State of Illinois of tax in an amount
5 equivalent to the state's rate of tax on taxable property in
6 his or her state of residence and shall submit the statement to
7 the appropriate tax collection agency in his or her state of
8 residence. In addition, the retailer must retain a signed copy
9 of the statement in his or her records. Nothing in this item
10 shall be construed to require the removal of the vehicle from
11 this state following the filing of an intent to title the
12 vehicle in the purchaser's state of residence if the purchaser
13 titles the vehicle in his or her state of residence within 30
14 days after the date of sale. The tax collected under this Act
15 in accordance with this item (25-5) shall be proportionately
16 distributed as if the tax were collected at the 6.25% general
17 rate imposed under this Act.

18 (25-7) Beginning on July 1, 2007, no tax is imposed under
19 this Act on the sale of an aircraft, as defined in Section 3 of
20 the Illinois Aeronautics Act, if all of the following
21 conditions are met:

22 (1) the aircraft leaves this State within 15 days after
23 the later of either the issuance of the final billing for
24 the sale of the aircraft, or the authorized approval for
25 return to service, completion of the maintenance record
26 entry, and completion of the test flight and ground test

1 for inspection, as required by 14 C.F.R. 91.407;

2 (2) the aircraft is not based or registered in this
3 State after the sale of the aircraft; and

4 (3) the seller retains in his or her books and records
5 and provides to the Department a signed and dated
6 certification from the purchaser, on a form prescribed by
7 the Department, certifying that the requirements of this
8 item (25-7) are met. The certificate must also include the
9 name and address of the purchaser, the address of the
10 location where the aircraft is to be titled or registered,
11 the address of the primary physical location of the
12 aircraft, and other information that the Department may
13 reasonably require.

14 For purposes of this item (25-7):

15 "Based in this State" means hangared, stored, or otherwise
16 used, excluding post-sale customizations as defined in this
17 Section, for 10 or more days in each 12-month period
18 immediately following the date of the sale of the aircraft.

19 "Registered in this State" means an aircraft registered
20 with the Department of Transportation, Aeronautics Division,
21 or titled or registered with the Federal Aviation
22 Administration to an address located in this State.

23 This paragraph (25-7) is exempt from the provisions of
24 Section 2-70.

25 (26) Semen used for artificial insemination of livestock
26 for direct agricultural production.

1 (27) Horses, or interests in horses, registered with and
2 meeting the requirements of any of the Arabian Horse Club
3 Registry of America, Appaloosa Horse Club, American Quarter
4 Horse Association, United States Trotting Association, or
5 Jockey Club, as appropriate, used for purposes of breeding or
6 racing for prizes. This item (27) is exempt from the provisions
7 of Section 2-70, and the exemption provided for under this item
8 (27) applies for all periods beginning May 30, 1995, but no
9 claim for credit or refund is allowed on or after January 1,
10 2008 (the effective date of Public Act 95-88) for such taxes
11 paid during the period beginning May 30, 2000 and ending on
12 January 1, 2008 (the effective date of Public Act 95-88) .

13 (28) Computers and communications equipment utilized for
14 any hospital purpose and equipment used in the diagnosis,
15 analysis, or treatment of hospital patients sold to a lessor
16 who leases the equipment, under a lease of one year or longer
17 executed or in effect at the time of the purchase, to a
18 hospital that has been issued an active tax exemption
19 identification number by the Department under Section 1g of
20 this Act.

21 (29) Personal property sold to a lessor who leases the
22 property, under a lease of one year or longer executed or in
23 effect at the time of the purchase, to a governmental body that
24 has been issued an active tax exemption identification number
25 by the Department under Section 1g of this Act.

26 (30) Beginning with taxable years ending on or after

1 December 31, 1995 and ending with taxable years ending on or
2 before December 31, 2004, personal property that is donated for
3 disaster relief to be used in a State or federally declared
4 disaster area in Illinois or bordering Illinois by a
5 manufacturer or retailer that is registered in this State to a
6 corporation, society, association, foundation, or institution
7 that has been issued a sales tax exemption identification
8 number by the Department that assists victims of the disaster
9 who reside within the declared disaster area.

10 (31) Beginning with taxable years ending on or after
11 December 31, 1995 and ending with taxable years ending on or
12 before December 31, 2004, personal property that is used in the
13 performance of infrastructure repairs in this State, including
14 but not limited to municipal roads and streets, access roads,
15 bridges, sidewalks, waste disposal systems, water and sewer
16 line extensions, water distribution and purification
17 facilities, storm water drainage and retention facilities, and
18 sewage treatment facilities, resulting from a State or
19 federally declared disaster in Illinois or bordering Illinois
20 when such repairs are initiated on facilities located in the
21 declared disaster area within 6 months after the disaster.

22 (32) Beginning July 1, 1999, game or game birds sold at a
23 "game breeding and hunting preserve area" or an "exotic game
24 hunting area" as those terms are used in the Wildlife Code or
25 at a hunting enclosure approved through rules adopted by the
26 Department of Natural Resources. This paragraph is exempt from

1 the provisions of Section 2-70.

2 (33) A motor vehicle, as that term is defined in Section
3 1-146 of the Illinois Vehicle Code, that is donated to a
4 corporation, limited liability company, society, association,
5 foundation, or institution that is determined by the Department
6 to be organized and operated exclusively for educational
7 purposes. For purposes of this exemption, "a corporation,
8 limited liability company, society, association, foundation,
9 or institution organized and operated exclusively for
10 educational purposes" means all tax-supported public schools,
11 private schools that offer systematic instruction in useful
12 branches of learning by methods common to public schools and
13 that compare favorably in their scope and intensity with the
14 course of study presented in tax-supported schools, and
15 vocational or technical schools or institutes organized and
16 operated exclusively to provide a course of study of not less
17 than 6 weeks duration and designed to prepare individuals to
18 follow a trade or to pursue a manual, technical, mechanical,
19 industrial, business, or commercial occupation.

20 (34) Beginning January 1, 2000, personal property,
21 including food, purchased through fundraising events for the
22 benefit of a public or private elementary or secondary school,
23 a group of those schools, or one or more school districts if
24 the events are sponsored by an entity recognized by the school
25 district that consists primarily of volunteers and includes
26 parents and teachers of the school children. This paragraph

1 does not apply to fundraising events (i) for the benefit of
2 private home instruction or (ii) for which the fundraising
3 entity purchases the personal property sold at the events from
4 another individual or entity that sold the property for the
5 purpose of resale by the fundraising entity and that profits
6 from the sale to the fundraising entity. This paragraph is
7 exempt from the provisions of Section 2-70.

8 (35) Beginning January 1, 2000 and through December 31,
9 2001, new or used automatic vending machines that prepare and
10 serve hot food and beverages, including coffee, soup, and other
11 items, and replacement parts for these machines. Beginning
12 January 1, 2002 and through June 30, 2003, machines and parts
13 for machines used in commercial, coin-operated amusement and
14 vending business if a use or occupation tax is paid on the
15 gross receipts derived from the use of the commercial,
16 coin-operated amusement and vending machines. This paragraph
17 is exempt from the provisions of Section 2-70.

18 (35-5) Beginning August 23, 2001 and through June 30, 2011,
19 food for human consumption that is to be consumed off the
20 premises where it is sold (other than alcoholic beverages, soft
21 drinks, and food that has been prepared for immediate
22 consumption) and prescription and nonprescription medicines,
23 drugs, medical appliances, and insulin, urine testing
24 materials, syringes, and needles used by diabetics, for human
25 use, when purchased for use by a person receiving medical
26 assistance under Article 5 of the Illinois Public Aid Code who

1 resides in a licensed long-term care facility, as defined in
2 the Nursing Home Care Act.

3 (36) Beginning August 2, 2001, computers and
4 communications equipment utilized for any hospital purpose and
5 equipment used in the diagnosis, analysis, or treatment of
6 hospital patients sold to a lessor who leases the equipment,
7 under a lease of one year or longer executed or in effect at
8 the time of the purchase, to a hospital that has been issued an
9 active tax exemption identification number by the Department
10 under Section 1g of this Act. This paragraph is exempt from the
11 provisions of Section 2-70.

12 (37) Beginning August 2, 2001, personal property sold to a
13 lessor who leases the property, under a lease of one year or
14 longer executed or in effect at the time of the purchase, to a
15 governmental body that has been issued an active tax exemption
16 identification number by the Department under Section 1g of
17 this Act. This paragraph is exempt from the provisions of
18 Section 2-70.

19 (38) Beginning on January 1, 2002 and through June 30,
20 2011, tangible personal property purchased from an Illinois
21 retailer by a taxpayer engaged in centralized purchasing
22 activities in Illinois who will, upon receipt of the property
23 in Illinois, temporarily store the property in Illinois (i) for
24 the purpose of subsequently transporting it outside this State
25 for use or consumption thereafter solely outside this State or
26 (ii) for the purpose of being processed, fabricated, or

1 manufactured into, attached to, or incorporated into other
2 tangible personal property to be transported outside this State
3 and thereafter used or consumed solely outside this State. The
4 Director of Revenue shall, pursuant to rules adopted in
5 accordance with the Illinois Administrative Procedure Act,
6 issue a permit to any taxpayer in good standing with the
7 Department who is eligible for the exemption under this
8 paragraph (38). The permit issued under this paragraph (38)
9 shall authorize the holder, to the extent and in the manner
10 specified in the rules adopted under this Act, to purchase
11 tangible personal property from a retailer exempt from the
12 taxes imposed by this Act. Taxpayers shall maintain all
13 necessary books and records to substantiate the use and
14 consumption of all such tangible personal property outside of
15 the State of Illinois.

16 (39) Beginning January 1, 2008, tangible personal property
17 used in the construction or maintenance of a community water
18 supply, as defined under Section 3.145 of the Environmental
19 Protection Act, that is operated by a not-for-profit
20 corporation that holds a valid water supply permit issued under
21 Title IV of the Environmental Protection Act. This paragraph is
22 exempt from the provisions of Section 2-70.

23 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-233,
24 eff. 8-16-07; 95-304, eff. 8-20-07; 95-538, eff. 1-1-08;
25 95-707, eff. 1-11-08; 95-876, eff. 8-21-08.)

1 (35 ILCS 120/2-30) (from Ch. 120, par. 441-30)

2 Sec. 2-30. Graphic arts production. For purposes of this
3 Act, "graphic arts production" means the production of tangible
4 personal property for wholesale or retail sale or lease by
5 means of printing, including ink jet printing, by one or more
6 of the processes described in Groups 323110 through 323122 of
7 Subsector 323, Groups 511110 through 511199 of Subsector 511,
8 and Group 512230 of Subsector 512 of the North American
9 Industry Classification System published by the U.S. Office of
10 Management and Budget, 1997 edition. Graphic arts production
11 does not include (i) the transfer of images onto paper or other
12 tangible personal property by means of photocopying or (ii)
13 final printed products in electronic or audio form, including
14 the production of software or audio-books. For purposes of this
15 Section, persons engaged primarily in the business of printing
16 or publishing newspapers or magazines that qualify as newsprint
17 and ink, by one or more of the processes described in Groups
18 511110 through 511199 of subsector 511 of the North American
19 Industry Classification System published by the U.S. Office of
20 Management and Budget, 1997 edition, are deemed to be engaged
21 in graphic arts production.

22 (Source: P.A. 91-51, eff. 6-30-99; 91-541, eff. 8-13-99.)

23 Section 99. Effective date. This Act takes effect upon
24 becoming law."